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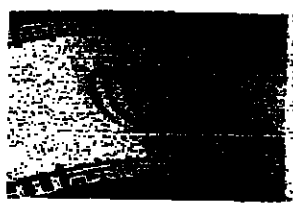
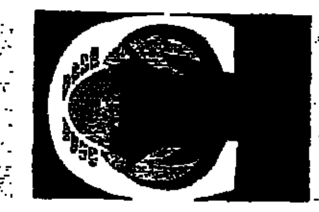
FINANCIAL TIMES



State of discontent
Iran's economy in trouble
Page 19



Fighting cancer
Drugs that strike back
Page 12

Damage limitation
Punitive awards in US courts
Page 14

Soviet legacy
Lada factory's uncertain future
Page 7

World Business Newspaper TUESDAY FEBRUARY 28 1995 D8523A

German lock-out threat hits hope of ending strike

German engineering employers yesterday threatened a lock-out, so dimming hopes for an early end to the sector's first strike since 1984. The the 3m-strong IG Metall union, which wants a 6 per cent pay rise, reacted angrily to the threat, with one senior union official warning: "If it comes to lock-outs we will ensure that all hell breaks out in every town in the Federal Republic." Page 18

Fokker to axe 1,760 jobs in restructuring:

The grim gaze of this Fokker worker *(left)* reflected employees' gloom yesterday at the news that the Dutch aircraft maker is to axe another 1,760 jobs. The cuts are a fresh attempt to restructure the company, which is controlled by the aerospace arm of Germany's Daimler-Benz group, and return it to profit by 1996. The measures will include shutting a components plant near The Hague and relocating Fokker's head office. Page 19

Salomon takes further charge: The parent of US investment bank Salomon Brothers has taken a further $61m pre-tax charge against 1994 profits, adding to the $217m charge for accounting errors disclosed earlier this month. The new charge raises Salomon's 1994 taxable loss to $831m. Page 19

Bomb kills scores in Iraq: At least 54 people were killed when a car bomb went off in a crowded street in the Kurdish-controlled Iraqi city of Zakho. As many as 80 more were injured. Page 8

HSBC Holdings raised 1994 pre-tax profits by 23 per cent to £3.17bn ($5bn). Reduced debt provisions more than outweighed a drop in operating income caused largely by lower profits from dealing in interest rate derivatives and securities. Page 19; Lex, Page 25; Midland Bank results, Page 26

German drugs group launches hostile bid: Pharmaceuticals wholesaler Gehe launched a hostile £377.4m ($238m) cash bid for UK drugs distributor and retailer, AAH. The 420p a share offer is almost 36 per cent higher than Friday's closing price. Page 19; Lex, Page 18

UK seeks to cut job protection: The UK government is working behind the scenes with other European Union countries to dilute workers' legal safeguards covered by the EU's acquired rights directive, a confidential letter in the possession of the Financial Times reveals. Page 11

Claes tells his story: Nato secretary-general Willy Claes, who was Belgium's economic affairs minister in 1988 when Belgian Socialists allegedly received kickbacks from Italian helicopter company Agusta, made a statement to Belgian authorities investigating the affair. Page 6

UK criticised over Airbus: Britain's failure to commit itself fully to the Airbus Industrie consortium could lose the UK aerospace sector £17.5bn of business by 2010, says a study. Page 11

Chechnya 'surrounded': Russia's military command said its forces had completely encircled Grozny and that it would soon rid the Chechen capital of the last separatist rebels. Russian government rebuilding plans for Chechnya were unveiled.

Doubts over Franco-German telecoms plan: Karel Van Miert, EU commissioner in charge of competition, warned France Telecom and Deutsche Telekom that he has doubts about their planned alliance for a global business data transmission service. Page 18

Teenager kills six: A 17-year-old of Russian origin was accused of shooting dead his parents, grandparents and two family friends at his home in an affluent west Paris suburb. Only the youth's infant sister was spared.

Pakistan pledges firmness: Pakistan's government pledged to deal harshly with violence and possession of illegal weapons after a weekend in which sectarian violence claimed 20 lives in mosque shootings in Karachi.

Spanish tobacco profits surge: Tabacalera, Spain's semi state-owned tobacco and foods groups, improved net profits by nearly 130 per cent to Pta11bn ($86m) in 1994, but the company is braced for a fall in cigarette sales this year.

Bond out of bankruptcy: Australian businessman Alan Bond was voted out of bankruptcy by creditors, but still faces charges over his 1980s corporate deals. Page 5

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,009.32	(-2.42)
NASDAQ Composite	789.41	(-1.67)
Europe and Far East		
CAC40	1,802.17	(-3.57)
DAX	2,099.25	(-19.39)
FT-SE 100	3,025.3	(-12.4)
Nikkei	16,808.7	(-664.24)

US LUNCHTIME RATES

Federal Funds	5 15/16%
3-mth Treas Bills: Yld	5.849%
Long Bond	101 17/32
Yield	7.49%

OTHER RATES

UK: 3-mo Interbank	6 3/4%	(6 25/32%)
UK: 10 yr Gilt	98 11/32	(+1/16)
France: 10 yr OAT	96.95	(0.54)
Germany: 10 yr Bund	100.18	(0.45)
Japan: 10 yr JGB	98.409	(+0.62)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$17.12	(16.91)

GOLD

New York: Comex		
Apr	$381.0	(378.2)
London:		
close	$376.1	(375.9)

DOLLAR

New York lunchtime		
£	1.583	
DM	1.45905	
FFr	5.13	
SFr	1.2377	
Y	96.825	
London:		
£	1.5825	(1.5813)
DM	1.458	(1.4749)
FFr	5.1385	(5.177)
SFr	1.2381	(1.2535)
Y	96.695	(97.27)

STERLING

DM	2.3072	(2.3322)
Tokyo close:	Y 95.95	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	CL1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y600	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Barings chief hints at conspiracy

Singapore trader may have intended to make money out of wrecking UK merchant bank, chairman says

By John Gapper and David Wighton in London

Mr Peter Baring, chairman of the failed UK merchant banking group Barings, yesterday said he believed his bank might have fallen victim to a fraud by an employee in Singapore intended to make money by wrecking the bank.

Mr Baring said in an interview with the Financial Times that he believed Mr Nick Leeson, the 28-year-old trader who ran the Barings futures trading operation in Singapore, might have conspired with a unknown partner to bankrupt it.

Mr Baring was speaking after Barings was in effect offered for sale, either as a whole or in parts, by administrators from the UK accountancy firm Ernst & Young. They are seeking to sell its ongoing businesses as quickly as possible after the bank was forced to cease trading on Sunday after the Bank of England failed in efforts to organise a rescue by other banks. The banks were willing to recapitalise Barings at a projected total cost of about £700m but declined to accept responsibility for the unquantified losses from derivatives trading.

Mr Nigel Hamilton, the lead administrator, said he had been "very encouraged by the interest shown by a number of UK houses" in buying parts of Barings after it sustained a loss from derivative trades estimated at more than $900m.

Barings has an outstanding $7bn of futures positions on the Nikkei index, which exposes it to a further loss of $280m for each fall of 4 per cent in the index. Yesterday, the index dropped 3.8 per cent.

Mr Kenneth Clarke, UK chancellor of the exchequer, yesterday told the House of Commons that an inquiry would be held into the collapse of Barings.

The inquiry will be carried out by the Bank of England's board of banking supervision, and will be chaired by Mr Eddie George, the governor.

An internal inquiry by bank executives, led by its head of investment banking, Mr Peter Norris, launched last Thursday, had discovered small frauds in its Singapore subsidiary Baring Futures dating back to the start of last year.

Mr Baring said Mr Leeson might have put the bank at risk by building up a position in futures contracts in the Nikkei 225 index which would fall in value if the index fell.

"Let us suppose that the putative associate approached our trader and said, 'You should build up a long position at Barings so great that when Barings discover it they cannot possibly sustain it and remain solvent.

"'I, meanwhile, will build up a short position, and when Barings duly fails I will have a wonderful opportunity to cover my short at a profit'," Mr Baring added. He said that this was a "credible" reason for Mr Leeson's behaviour.

Mr Hamilton, the administrator, said Ernst & Young's preferred solution would be to sell Barings in its entirety, but it was willing to sell its parts, including its corporate finance, asset management and securities broking arms separately.

Mr George said Baring's collapse had very little to do with the risks associated with "dreaded derivatives". He said the "rogue trader could equally well have run up very huge losses in cash markets", and the failure was one of controls.

He said there were no risks to the banking system as a whole from the collapse of Barings, and it would have been wrong for the government to write a blank cheque. Mr Clarke said in the Commons the government would have refused such a request.

Mr Baring said he did not believe the bank should have used public funds to prop up Barings, which is owned by the family-controlled Baring Foundation. "It was entirely entitled to make its decision on behalf of taxpayers," he said.

Barings and Ernst & Young are thought to talking to several European banks.

Relief in markets as share plunge fails to happen

By Philip Coggan and Philip Gawith in London

Traders in world financial markets sighed with relief yesterday as the feared plunge in share prices failed to materialise in the wake of the collapse of Barings, the UK merchant bank.

The worst falls occurred in the Far East, where Barings' Singapore office had incurred the huge losses which led to the bank's demise. In Europe, the main effect was in the foreign exchange markets, where the D-Mark benefited from its status as a "safe haven" at the expense of the pound, the Italian lira and the Spanish peseta, which all fell to historic lows against the German currency.

After initial falls, European stock markets ended only slightly down. Traders took the view that the Barings collapse was an isolated case affecting a medium-size investment bank, which was not large enough to endanger the financial system.

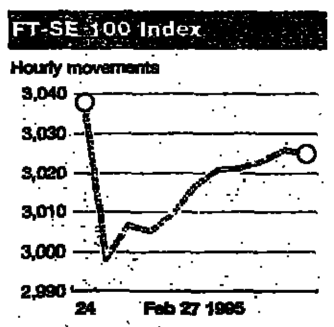
Most attention was focused on the Tokyo stock market, where Mr Nick Leeson, a Barings trader, had built up a substantial position speculating on a market rise. The Nikkei 225 index fell 664.24 points, or 3.8 per cent, as investors anticipated the liquidation of Barings contracts. By the close, the Nikkei had slipped to 16,808.70, the first time it had dropped below 17,000 since December 1993.

However, the Nikkei rallied from its worst level of the day, when it fell by nearly 1,000 points, and in London trading, Japanese shares showed a small rise on the Tokyo close.

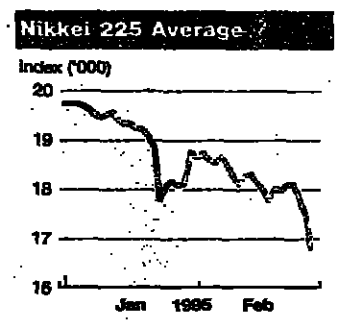
Other Asian markets also lost ground, affected by Tokyo's fall and by the fact that Barings was a substantial trader in the region. Worst hit were the Philippines, where the Manila composite index fell 4 per cent, and Taiwan, where the weighted index dropped 3 per cent.

In Europe, shares recovered when investors showed little sign of selling. On Wall Street, the Dow Jones Industrial

Continued on Page 18



Source: Reuter



Source: FT Graphite

Police search for missing trader

Missing: Nick Leeson is thought to have slipped over the border to Malaysia from Singapore using a false passport — Picture: Futures & Option World

Mr Nick Leeson, the 28-year-old whose trading activities are alleged to have forced Barings into administration, was yesterday being sought by police in the Far East, write William Lewis and Jimmy Burns in London.

Mr Leeson, who was a manager at Barings' futures operation in Singapore, is thought to have slipped over the border to Malaysia from Singapore, possibly using a false passport.

Last night there were reports he had been spotted in Bangkok, Thailand, although his whereabouts remained unknown.

A Barings official said yesterday he believed Mr Leeson had been responsible for a fraud against the bank by deliberately concealing information on large losses suffered from dealing in financial derivatives. The Bank of England said the losses suf-

Continued on Page 18

THE BARINGS COLLAPSE

Pages 2-4

Hollywood groups want to run China's pirate factories

By Nancy Dunne in Washington

US entertainment companies yesterday indicated that they want to run the pirate factories in southern China which had angered Washington by churning out counterfeit film and music products.

Mr Jack Valenti, president of the US Motion Picture Association, said Hollywood companies were delighted with the weekend's intellectual property pact, under which China has pledged to improve market access for foreign films, books and music.

"Warner, Fox, Universal, Paramount have all expressed interest in various investments," Mr Valenti said. "They all see China as a vast new marketplace."

He said companies were looking for Chinese partners to operate legitimately some of the 29 factories in southern China, which Washington had regarded as a symbol of the rampant violation of copyright in China.

US officials said on Sunday that the Chinese had already closed seven of the factories, and Beijing has promised to shut down others producing counterfeit products. However, Mr Valenti indicated that US companies would even be interested in reopening some of the raided factories.

The trade agreement allows US music, film and computer software companies to create joint ventures with Chinese companies to produce and distribute copies of their products and to share in the profits.

In return, Washington dropped an action that would have imposed 100 per cent tariffs on $1.08bn worth of imports from China. Beijing had threatened retaliation if the tariffs were introduced.

US entertainment companies already have ambitious plans. Time Warner, for example, is considering a project either to refurbish theatres in the 13 largest Chinese cities or build new complexes.

Mr Jay Berman, head of the Recording Industry Association of America, said Chinese industry would benefit from the end of compact disc quotas and restrictions on licensing agreements. "Being in the market is an essential component of any significant long-term commercial relationship, as well as a necessary element of an effective anti-piracy programme," Mr Berman said.

He said the pact "will trigger much greater involvement by US record companies in China, leading in turn to what we expect will be further liberalisation, and the development of a Chinese recording industry, where one currently does not exist".

The Association of American Publishers said if China does enforce its copyright laws, US companies would be interested in co-publishing and licensing deals with Chinese publishers.

A 'maturing' marks copyright, deal, Page 10
Editorial Comment, Page 17

CONTENTS

 No 32,612 Week No 9 LONDON · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · TOKYO

THE BARINGS CRISIS

A low-risk business until 'the fraud' says Barings chairman

By Richard Lambert and John Gapper

Speaking in his office yesterday, Mr Peter Baring, chairman of the failed bank, gave his first public account of what had gone wrong.

He explained that Baring's derivative arbitrage operation in Singapore had been very profitable, and added that in terms of its financial exposures it was in principle a low risk business – until what he described as "the fraud" took place.

It was possible to hedge its contracts simultaneously, leaving the bank with a minimum exposure to market movements.

Mr Baring said that the group had been aware of the possible dangers. "We were alert for some time to the fact that the operation was in the hands of a small team, and we knew that the man running it was relatively young. We did in fact exercise a deliberate degree of scrutiny for that reason."

Barings still did not know for sure about the way Mr Leeson had operated. A detailed inquiry was taking place.

However, it appeared that fraudulent activity had been under way on a modest scale since the beginning of 1994.

Mr Baring said that had the audit process of the 1994 figures reached its conclusion, he was confident that this would have been exposed. But the activities which caused this weekend's crisis took place with frightening speed. Mr Baring said he believed that the vast bulk of the fraudulent activity had taken place in the past few weeks.

"On Wednesday of last week we had a board meeting at which we considered the draft results for 1994. On the basis of these figures we expected to produce results slightly up on the previous year."

But then events started to move rapidly: "On Friday morning, I had an 8am meeting on some other matter. I got a call at 7.15 from Peter Norris (the head of investment banking) saying that we needed to meet because there was a major problem.

"I got in here and foregathered with the executive directors of the holding company. We gathered that our colleagues in Singapore had been working for about 24 hours, having come upon evidence of what happened.

"We satisfied ourselves early on Friday morning that we were able to continue trading through Friday – we took advice on the point. And we worked throughout Friday, Saturday and Sunday to try to produce a solution.

"We realised immediately the scale of the problem and that there there were two things we had to achieve. We had to recapitalise the business, and we had to find some way to cap the futures exposure.

"We immediately told the Bank of England what had happened. The support we got from them was simply staggering. They showed great vigour, great professionalism, and left no stone unturned in their efforts to help us find a solution."

Barings talked to a number of major banks through the weekend. At least four were actually in its offices, considering the acquisition of all or part of the group.

It also worked with the Bank of England and with Schroders, Barings' advisers, on a plan whereby a consortium of London banks would inject temporary capital into the troubled group, to be replaced after a few months by a permanent solution.

Many parties were willing to acquire Barings, and a banking consortium had also been in place, Mr Baring said. But in both cases, their offers were subject to finding someone willing to provide a cap.

"We were finally unable to complete that second leg.

Buyers were now coming forward in large numbers covering substantially the whole of the business. However, some parts would probably not survive.

"As we see it now, I suspect that three units will form themselves – corporate finance, asset management and our international broking business.

"Those three will be acquired either separately or, conceivably, all together by the same party."

But how could such a crisis have been allowed to build up undetected?

"It's a cliché in our industry to say we are all vulnerable to fraud. It's extremely difficult to impose control systems that are so draconian that people who should have the responsibility to act in a trustworthy fashion should nonetheless have people looking over their shoulders on a minute by minute basis, to make sure they don't conceal the evidence of their transactions."

What could Mr Leeson have had in mind?

"We simply cannot yet know exactly what happened. It is difficult to get a fix on the motivation of this fellow. But we share the view that the creation of a substantial hidden long position was the aim of the operation, by someone who no doubt is out there with a substantial short."

Mr Baring gave a tentative outline of what might have happened.

"Let us suppose the associate approached our trader and said, 'You should build up a hidden long position at Barings so great that when Barings discovers it they cannot possibly sustain it, and remain solvent.

'I meanwhile will build up a short position, and when Barings duly fails, I will have a wonderful opportunity to cover my short at a profit.'"

Mr Baring said that this seemed a credible account of events, but the full picture would have to wait on a detailed inquiry. He could throw no light on why the activity had not been detected.

The firm generated very substantial volumes of business in these markets in its normal course of business, which was usually hedged. Did the crisis reveal a fundamental flaw in the derivatives markets?

"What we are talking about here is hiding financial transactions. You don't have to be in the derivative markets to do that. What happened was extremely simple in essence. He bought massive amounts of futures contracts, which he hid. Everybody is vulnerable to that sort of action."

As for the present position, it was too early to say what the creditors' position would be. The fund management side was clearly unaffected.

"We have the normal mix of wholesale deposits and, yes, some of our asset management clients will have deposits with the bank."

Mr Baring went on: "We have two considerations now. We must do everything we can to ensure that the position of our creditors is as well protected as it can be in the circumstances. The preferences of people working here is also of critical importance. It is difficult to dispose of this kind of business which consist of a lot of skilled professionals to a party that they don't approve of."

There had been occasions in the past few days when it had seemed possible that Barings might have been saved.

"During Sunday, there were a number of moments when we had good reason to hope that it would be possible to create a cap to cover the liabilities."

But once these failed, he had no quarrel with the Bank of England's decision to let his firm go.

"I take the view that the Bank was entirely entitled to make its judgment on behalf of the taxpayer to do what it did."


Peter Baring: "We are all vulnerable to fraud "

■ MORALE

'No one has a clue what is going on'

The idea of "business as usual" cut little ice with staff at Barings yesterday as the news of the bank's problems began to sink in. Reactions ranged from anger to incredulity and even black comedy as shocked employees tried vainly to find out more information.

Staff at Barings Securities had been informed on Sunday night to be in as usual on Monday morning to carry on work. Those arriving at the America Square offices in the City were told to assemble on the trading floor at 10am for an announcement.

At the appointed time, Mr Andrew Fraser, deputy chairman of Baring Securities, walked on to a podium flanked by other senior bosses. "I believe we owe you all an explanation," he began.

But his audience was not impressed by what they heard. He told them that any future buyer would be asked to guarantee bonuses and he asked that everyone continue working properly because potential buyers would want to see that staff had been busy throughout the administration period. He then walked off.

"After that, morale just plummeted," said one employee who was at the briefing. However, the mood was relaxed enough in other parts of the office for there to be an opened bottle of wine on the Japanese desk.

A trader working at the Bishopsgate office commented: "When we got in this morning our screens were frozen and we were told that we could not do any business today. That's the last we have heard."

Gallows humour prevailed on the trading floor. "Everyone seem quite relaxed around here. We have been sitting around and almost laughing about it," said one trader with a large cigar in his mouth. "No one has a clue what is happening."

Was he looking for another job? "It has not come to that yet." Other employees claimed to have been inundated with calls from headhunters.

Corporate finance staff were not so light-hearted. "We've been trying to reassure clients on the phone all day," said one.

The feeling was that they would lose some clients that needed to do a transaction immediately but that long standing clients would remain with the firm until the situation was clearer.

In one meeting a director was asked how long the company could keep up the appearance of working as normal. "About two weeks," was the response.

Most employees confessed to being completely ignorant about their future. One Baring Brothers employee was furious by the afternoon. "We have not been told a thing. There have not even been any announcements about announcements," he said.

Annual bonuses dominated the conversation of many employees. Staff at Baring Securities were supposed to be paid their bonuses this week.

Some of the corporate finance department were told on Friday what their bonuses would be and went out for a celebratory lunch only to return to rumours about events in Singapore.

They thought it highly unlikely that they would now see the money.

Staff filing out of Baring Brothers office in Bishopsgate for a lunchtime drink had to negotiate three TV crews. In the foyer a scrum of businessmen waited to get through security.

The research department at Barings Securities was at a standstill. Nearly all the research material is printed in Singapore but DHL has refused to carry the proofs. "All we can really do is twiddle our thumbs and wait for something to happen," said one analyst.

The uncertainty led to two of them almost coming to blows. One said that they should follow the mangement line, stick together, put their heads down and carry on working, while the other pointed out there was little point since clients were not likely to read their work anyway.

For two executives at Baring Securities there was a sense of déjà vu as they were working for Salomon Brothers at the time of the Treasury bond scandal. "I must be jinxed," said one.

Geoff Dyer
James Whittington
Nicholas Denton

■ SINGAPORE

Clearing house funds will meet contract losses

Derivatives-related losses resulting from the collapse of Barings look set to be met from funds held by the clearing houses linked to the exchanges where the contracts were traded, write **Richard Lapper in London and Kieran Cooke in Singapore.**

Initial indications are that most of the loss-making contracts were traded on the exchange rather than in the over-the-counter market.

In common with other derivatives exchanges both the Osaka Securities Exchange and the Singapore International Monetary Exchange (Simex) operate clearing funds, financed by contributions from member securities firms and banks. According to Mr Ian McGaw, the author of a recent book on clearing at derivative exchanges, these clearing funds are substantial at both exchanges.

Between 50 and 60 securities firms and banks are members of the Singapore market, while the Osaka exchange has 115 members. The exchanges are also understood to control significant more general reserves, which can also be used to meet short falls.

Officials at the Osaka exchange said yesterday that Barings' debts were likely to be met largely out of money the firm put up as a guarantee. Only after these tranches of protection are exhausted would the exchanges be likely to call on its members to make extra payments.

Calls are regarded as unlikely by specialists at this stage. One consultant said yesterday that the situation faced by both exchanges is different to that which led to the failure in 1987 of the Hong Kong futures and options exchange, because only one member has defaulted on calls.

"We have had much bigger traumas than this," said the manager of one significant trading operation. "losses in 1987 were on a much broader international scale."

There is some concern in the industry, however, about the scale of positions which Barings appears to have built up at both Singapore and Osaka. In Osaka alone it accounted for more than 10 per cent of the open interest in the Nikkei 225 futures contracts during some days in February.

In Singapore many were questioning how such massive dealings, reportedly by one individual, were allowed to escape the Simex surveillance procedures.

"It's very hard to believe that that amount of money could have been traded through Simex without the authorities noticing" said one banker. "There must have been some sort of breakdown in the regulatory framework."

Simex said yesterday that the "open positions of Baring Futures (Singapore) Pte Ltd will be managed by the Exchange pursuant to the rules of the Exchange with the view to an orderly management of the same".

"The Exchange is satisfied that the margins currently held by the Exchange in relation to the open positions is adequate to cover anticipated price fluctuations", it added.

The Simex statement was seen as a clear indication that the Singapore authorities are not going to allow the Barings debacle to bring one of the fastest growing and most successful segments of the island republic's financial services industry to its knees.

■ CLIENTS – By Norma Cohen

Pension funds and charities may lose

Clients of Barings Investment Management Ltd – pension funds, charities and wealthy individuals – could face losses from the failure of the Barings group.

Although Barings has reassured clients that their assets are "ring fenced", that is, legally protected against claims of creditors, many clients have chosen to use Barings' own in-house custodian to hold their assets in trust. The custodian, in turn, uses Barings Bank, now in administration, as the depository for all client cash balances.

The clients' claims are then no different from any other depositor, and the clients must stand in line with other Barings creditors.

Yesterday, BIM was trying to reassure clients and pension consultants that it would do everything it could to see to it that clients, who may include Queen Elizabeth II, have access to cash as quickly as possible.

The extent of the potential losses to clients is uncertain. Barings has about £27bn ($43bn) in assets under management worldwide. Although it is not clear how much of this is in the form of cash – and only a small percentage will be – the average "balanced" pension fund client will have 5 per cent of all assets in cash.

That means that up to £1.35bn of client monies may be frozen, a portion of which may be lost forever.

However, significant parts of BIM's client base, such as those of the separately capitalised US-based fund management subsidiary, use independent consultants and will not be affected. Boston-based Baring Asset Management Inc was not placed in administration and continues to trade.

BIM senior management has told consultants and clients that it is pressing Ernst and Young, administrators to Barings, to award the business to a buyer who will guarantee the payment of cash deposits to clients. "But of course that means a lower price for the administrators and they are in the driver's seat now," one consultant said.

Also, a deal of that nature means the administrators effectively give preference to the claims of one type of bank creditor over the others, something it may not be able to do.

Late last night, administrators for BIM were said to be close to completing arrangements to transfer their custodial business to Barclays.

This will allow BIM to resume buying and selling securities on behalf of clients, and will ensure that cash received from dividend payments on client securities and cash balances from the sale of assets are safe from the claims of creditors.

Meanwhile, several investment banks said they had bid for the asset management business but added that they are not prepared to guarantee payment of client cash deposits.

However, some parts of the fund management business are not in administration and are not affected by the collapse. In addition to the American arm, these include Baring Fund Managers, which has £1.2bn in unit trust assets. But trading in the unit trusts was suspended yesterday because administrators were concerned that if clients wished to sell their units, the securities arm of Barings would be unable to find counter-parties willing to pay cash for the sale of the securities.

Uncertainty over trading with Barings has gripped other City firms who are concerned that cash delivered to pay for securities will be claimed by creditors and that promises securities may not be delivered.

Other leading City securities firms said they had appointed "crisis management teams" to sort out the purchases and sales of securities to other parts of the Barings group.

■ EXCHANGE FALLOUT – By Philip Gawith

Ripple effect on currency markets

The foreign exchange fall-out from the Barings débâcle has so far been at the level of ripples, rather than waves.

Most obviously, it has exacerbated the flight to quality, under way for some weeks, which has bolstered the strength of the D-Mark.

From the perspective of individual counterparties doing business with Barings, there is little sense of any large losses emanating from foreign exchange exposures.

Barings did much of its foreign exchange business in-house. Banks most likely to have had foreign exchange exposure to Barings would have been its outside custodial banks, the largest being Royal Bank of Scotland. The larger UK clearing banks are also likely to have been involved.

The problem any party to an open foreign exchange position with Barings will have faced is loss of the counterparty. The response will have been to cancel the contract with Barings, by doing the opposite transaction.

Reversing such deals could result in profits or losses for Barings' counterparties, depending on how exchange rates had moved since the contract was struck.

The general industry view was that reversing these transactions ought not to have a significant impact on the profit and loss account of any banks. Spreads on foreign exchange contracts are typically very narrow, and Barings was a comparatively minor presence in foreign exchange markets.

■ LOCAL AUTHORITIES – By John Authers

UK councils expected to avoid BCCI-style disaster

Between 30 and 40 UK local authorities had some form of investment in Barings, local government finance experts estimated yesterday.

But a repeat of the disaster for local authorities created by the collapse of the Bank of Credit and Commerce International seems to have been avoided. The Western Isles unitary council off the coast of Scotland lost £23m in the collapse, having invested £1.5m with BCCI only 15 minutes before the bank was closed down by the Bank of England.

The sum made a serious dent in the council's £56m annual spending and led to interest costs likely to take 30 years to repay. In total, about 40 councils lost about £100m in the affair.

Damage has been less this time because many authorities had diversified their deposits more widely. Ironically, local authority associations say some councils moved to Barings in a "flight to quality" following BCCI.

Penwith, a district council in Cornwall, south-west England, appeared to be the worst affected by the Barings collapse, with £750,000 invested. Mrs Jennifer Cross, director of central services with the council, admitted that the authority's short-term investment with the bank, started in December, "does not look very promising".

The authority had had another £1m invested with the bank until last November. However, Penwith changed its investment policy two years ago after the BCCI collapse and attempted to invest with "quality" institutions. Mrs Cross said: "We have a policy of investing no more than £1m with one institution, to spread and minimise the risk. Barings are an A1-rated bank, so you do not expect this. It gets to the point where we are at a loss how better to invest and spread the risk as thinly as possible."

Mrs Cross insisted that any loss would not result in an increase in council tax.

Most authorities were only exposed via their pension funds. Hampshire county council said that about £350m of its pension scheme was invested with Barings, but it was only worried about £15m of uninvested cash, which it said was "likely to be frozen in the accounts of Barings".

■ THE BACK OFFICE – By Norma Cohen, Jim Kelly and Maggie Urry

When things go wrong, the first place to look

When things go wrong at securities firms, they often go wrong in the back office.

While newspaper headlines trumpet triumphs and failures of those who buy and sell securities – the front office – some of the most spectacular losses have involved a failure of the record-keeping system to spot a potential time-bomb and defuse it.

At Barings, a firm more than 230 years old may have been sunk by the inability of those responsible for monitoring the bank's trading activities to spot the activities of Mr Nick Leeson, a 28-year-old trader in Singapore, who took a huge gamble on Nikkei stock index futures. Barings officials have intimated that the dealer may have had assistance in hiding details of the trades from the bank.

A fundamental weakness in the risk management system was that Mr Leeson was involved both in initiating derivatives contracts and in the settlement process.

City of London operations managers yesterday expressed amazement at his operations: "What I want to know is how he met the margin for those contracts," mused the head of operations at one leading City firm.

Although traders daily "mark to market" the value of trading positions they take on, it is up to the back office to actually make margin payments on those positions and to report on the risks to senior management.

Mr Leeson appears to have misled the Barings management and the Singapore authorities by claiming that his contracts were entered on behalf of existing Baring clients, within agreed credit limits.

The cost of the margin calls was further reduced by his selling over the counter "put" options, rather than calling on Barings to do it. But if so, Barings' back office ought to have been notified by confirmation telexes.

Operations managers at City firms said that if Barings had had effective systems controls in place, a rogue trader would have needed the co-operation of the entire back office in order to hide trading on such a large scale.

And even then, its head office should have realised that something was amiss.

If failure to set effective internal controls proves to have been Barings' downfall, the bank will have good company.

Most recently, Salomon Brothers, the large Wall Street securities house, announced it had uncovered $350m (£220m) in losses from swaps contracts in earlier years which had been inaccurately recorded. Yesterday it announced that these losses were even bigger than had been previously believed.

Kidder Peabody, one of the oldest names on Wall Street, was burned when Mr Joseph Jett, head of its government bond trading desk, allegedly manipulated the trading systems to create $350m of phoney trading profits and thus boost his annual bonus to $9m in 1993.

The back office was not able to detect the phoney profits because the accounting system recognised a profit on a forward contract on the day it was done rather than when the contract was due to settle.

By repeatedly rolling over the deals the final settlement – when the profits would have been exposed as false – never came. Jett was sacked in April 1994 by which time the scheme had allegedly been operating for nearly three years.

Chase Manhattan bank lost $117m after tax ($285m before tax) in May 1982 when it lent bonds to Drysdale Government Securities, a small firm which defaulted on $160m of interest payments.

Chase's back office should have realised that it was lending far too much to a small firm with little capital.

The speed and nature of Barings' losses can hardly be laid at the door of its external auditor – the London accountants Coopers & Lybrand.

According to Barings' administrators, Ernst & Young, the 1994 audit was not yet completed when the Singapore trading problem was uncovered last week.

As one leading insolvency expert said yesterday: "This is a case of a 24-hour virus – not the kind of disease which can be caught by an annual check-up."

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THE BARINGS CRISIS

Lavish Leeson left Watford far behind

By William Lewis and Jimmy Burns in London and Kieran Cooke in Singapore

Mr Nick Leeson, the futures trader at the centre of the Barings collapse, had an extremely unusual birthday on Saturday, the day he turned 28.

As the first news of the Barings collapse began to break, Mr Leeson, with his wife, was thought to be already on the run from Malaysian police after apparently slipping over the border from Singapore, possibly using a false passport. Last night there were reports that he had been spotted in Bangkok, the capital of Thailand.

In the far East, Mr Leeson earned millions as a trader, buying himself a luxury apartment, and reportedly a yacht which he kept moored off the Malaysian coast.

Such a lifestyle was a world removed from the modest background of the plasterer's son, born in Watford, Hertfordshire.

In Singapore, where Mr Leeson worked as a manager of Barings Futures, he was known as something of a miracle man among the circle of traders at the Singapore International Monetary Exchange (Simex).

"He was a kingpin here," said one expatriate trader yesterday. "Full of self confidence, he had a big reputation – people felt he could always pull off the big deal."

Among the 130 staff at Barings' office in Singapore, the majority of them locals, Mr Leeson was regarded as a strong character who tended to keep himself to himself.

But outside work he was known as one of the expatriate lads – a social high flyer who held lavish parties and frequently went drinking round Singapore's fashionable riverside bars.

In the Orchard Road neighbourhood where Leeson lived, four days of unread newspapers were piled up on the doorstep of the plush condominium he had shared with his wife.

"They are a nice young couple. I'd see them coming in and out," said a neighbour.

On the trading floor, too, his reputation was as a friendly, if arrogant, man-about-town who mixed mostly with expatriates.

"The impression I, like many others, received was that he was a thoroughly likeable bloke. He had a North London accent and is forthright in his views," said a fellow trader.

Mr Leeson had been at Barings in Singapore for three years. Fellow traders say he earned about $300,000 (£190,000) a year, although this excluded hefty bonuses and commissions. One dealer said that Leeson's bonuses on his derivatives trading last year could have exceeded $2m.

> **'He was a kingpin here. Full of self confidence, he had a big reputation. People felt he could always pull off the big deal.'**
>
> **An expatriate trader Singapore**

In Watford, neighbours and relatives reacted with surprise to the attention suddenly focused on a person whose work few of them could understand, but who was warmly remembered as a "nice bright boy". Mr Leeson's former school teacher described him as a "good chap" who had a "very supportive family".

Mr Alan Francis, a teacher at Parmiters Comprehensive in Watford, said that Mr Leeson had left school after taking three A' levels, including maths in which he got the lowest grade, F.

Mr Leeson has two sisters and one brother, both younger than him, and is, according to Mr Francis, a keen football player. During his time in the sixth form at school, Mr Leeson's mother died, but he was "very strong about it", Mr Francis said.

Yesterday the family home, a three-bedroomed end-of-terrace house at Haines Way in Leavesden, Watford, appeared empty, with neighbours saying they believed Mr Leeson's father, William, had gone to stay "up North".

After leaving school, aged 18, Nick Leeson joined Coutts & Co, the private bank, where he worked for two years in "general clerical duties", according to a spokeswoman.

Records show that two county court judgments were passed against him, one in February 1991 and the other in May 1992, for approximately £3,000.

Mr Leeson, in an interview in Singapore early last week, said he was "heavily involved" in arbitrage trading of futures on the Nikkei index on the Osaka exchange and on Simex.

He said he had been buying the contracts on Simex and selling in Osaka, taking advantage of price differentials between the two markets.

Barings yesterday claimed that their detailed knowledge of Mr Leeson was "surprisingly thin" – a measure perhaps of a lack of checks and balances in a profession where individuals are given considerable freedom of action with which to make and break deals.

As one banker put it: "The thing about derivatives is that it is so complex only the people actually doing it understand it and that is why they can get away with cheating on their employers."

A bank insider said that Mr Leeson had followed a "normal career path" for a trader with limited educational qualifications. "Traders can do a lot of things once you hire them. You just hope they are honest," she said.

According to a Barings spokesman, he joined Baring Securities in July 1989 as a settlements clerk and was transferred to Singapore in the same position in April 1992.

Mr Leeson married Lisa Sims, now 23, in March 1992 at St Edmund the King church in West Kingsdown, Kent.

Yesterday Mr Alex Sims, Lisa's father, said that he was concerned about his daughter and Mr Leeson.

"I am very, very concerned for his well-being now, as well as Lisa's," he said. "He is not the sort who would do anything silly, but I don't know why they haven't got in touch. I just wish they would call to tell me they are safe.

"He doesn't have any hobbies as such, he is dedicated to his work. I don't believe for a moment he is the only one involved in this," he said. "It seems he is being made some sort of scapegoat and having everything on him."

But among Mr Leeson's colleagues at Barings, any grudging respect for the man appears to have evaporated in the aftermath of the collapse, and been replaced by anger.

"I hope he is arrested in Singapore and brought to trial there. It will mean a quicker and harder sentence than if he is brought back to the UK," said one colleague.

■ DERIVATIVES

Ministry: no need for new regulation

Japan is not planning to clamp down further on its already heavily regulated derivatives market as a result of the Barings crisis, a senior Tokyo finance ministry official said yesterday, William Dawkins in Tokyo writes. But the emergence of Barings' huge loss on equity index futures did underline the need for better in-house controls by securities companies, he said. "It is not a market problem," he said. "It is up to individual securities securities houses to set up the disciplines to assure sound management."

The finance ministry had no contact with Barings until receiving the news of the crisis via the Bank of Japan on Saturday, he said. A Bank of England official arrived in Tokyo shortly afterwards and remains there to keep Japanese regulators informed.

Yet equity traders in Tokyo yesterday cast doubt on how regulators, whether Japanese or British, could have been kept in the dark until so recently. Barings' exposure, betting on a rise in the index, was noticeably out of line with most other investors, who were betting on a fall, they said. Other traders had believed that Barings was investing on behalf of a client, rather than on its own account.

The ministry's initial reaction runs counter to the regulatory backlash widely expected by securities company executives in Tokyo. However, pressure for tougher company scrutiny, within existing market rules, has started to build up.

Mr Mitsuhide Yamaguchi, president of the Tokyo Stock Exchange, said the exchange would keep a close eye on all stock and bond transactions. The TSE and the finance ministry's securities bureau were considering joint action to prevent "market turmoil", raising the likelihood of a return to the government practice of supporting the market by encouraging Japanese financial institutions to hold shares.

■ JAPAN'S PUZZLEMENT – By Gerard Baker and Emiko Terazono

Everyone knew of the trades but no one understood them

While the Japanese stock market was plunging yesterday in the wake of the demise of Barings, the overwhelming sentiment in Tokyo's financial markets was one of puzzlement. Brokers and bankers expressed bewilderment that the widely-publicised risky positions Barings had taken had not alerted the authorities sooner to the potential threat they posed to the bank's very existence.

That someone at Barings was piling up Nikkei 225 futures contracts became public knowledge in the course of the last month. The Osaka Securities Exchange publishes a weekly table of brokers in Japan with the largest exposures in the futures market.

It ranks institutions by the size of their long and short positions, i.e. those with large net holdings of contracts to buy or sell the various futures' indices.

In the space of a few weeks, Barings' holdings of long – buy – contracts on the Nikkei 225 rose dramatically. In the first week of January Barings had 3,024 net outstanding long contracts, the largest of all brokers on the Osaka exchange, but by no means an unusual figure.

But towards the end of the month the total rose sharply, reaching 16,852 by January 27. After a slight fall in early February, it climbed again, to reach a remarkable 20,076 by the middle of the month.

This total is one of the largest recorded by the exchange in recent years. It was almost eight times the level of the next largest broker's holdings, the French company, Paribas Capital Markets, and it represented an increase of almost 600 per cent in a little over a month.

These figures are truly exceptional. According to futures brokers in Tokyo, Japan's "Big Four" stockbrokers, companies that have shareholders' equity of up to Y1,750bn, (£11.4bn) rarely hold more than about 6,000 long contracts. If each contract was worth about Y1.6m, it meant the total value of the contracts underlying the exposure was more than Y30bn.

At the same time the bank was building similar positions on the Singapore International Monetary Exchange (Simex), though the scale of these operations was not disclosed.

"No one could quite understand what Barings were doing with that sort of position", said one futures trader. There were plenty of guesses.

The consensus was that the contracts had been bought on behalf of a client, and did not, therefore, threaten the bank's own capital. "It never entered anyone's head that these contracts might be proprietary (for trading on the bank's own account)", said another broker.

It was also wrongly assumed that Barings had protected its exposure by hedging, or balancing the contracts with sell orders in the cash or futures markets, to limit the eventual cost. "Everyone has known about Barings' trades for a month or so; but we never thought the positions would be unhedged", said Mr Yasuo Ueki at Nikko Securities.

Some analysts actually believe the Barings position was so large that it was the only thing that kept the stock market as a whole from falling sharply in the face of strong selling pressure from investors in the last month.

Brokers referred extensively in the weeks before the Barings collapse to the unusually large amounts of buying in the futures market as a key support factor. Mr Jason James, equity strategist at James Capel Pacific recalled yesterday, "For some time it was evident that some unknown buyer was in the market. Now we know who it was."

Such a large exposure does not of course, constitute a threat in itself to a bank's viability. One financial regulator in Tokyo yesterday said, "While it may be unusual for such a large liability to arise so quickly it does not necessarily represent a risk to the bank. If the bank thought it was acting on behalf of a client, and if they were hedging it at the same time, then the risk would be small."

Officials at Barings in Tokyo indicated yesterday that while they acknowledged the exposure was widely known, they did not regard it as unduly risky. "We weren't given details but we knew all about these positions," said one analyst at the bank.

Yet the scale of the contracts, and the way in which they accumulated so rapidly, should still have alerted the regulators in the various markets. In normal circumstances the authorities would be keenly interested in the growth of such liabilities, even if they were not considered a direct risk to the bank's capital.

Some traders thought it unlikely that the Finance Ministry, which regulates the financial system with especially intimate scrutiny, would not have taken an interest in Barings' growing exposure. Ministry officials would only comment yesterday that they were examining in detail the sudden growth of Barings' liabilities.

The Japanese regulatory framework is often criticised for its failure to disclose vital information about financial companies.

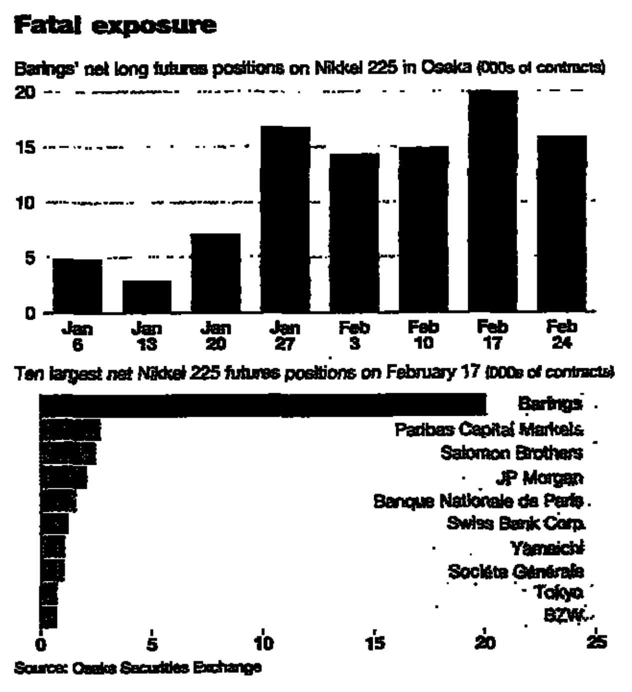
But on this occasion there can be no criticism of the system's openness. But that very openness raises important questions about the bank's risk-taking and about the role of the regulators in Japan and around the world.

The inquiry that seems certain to follow will focus on several central questions:

Was the exposure hedged, or balanced by an offsetting "sell" position in another market? What did Barings management know about the nature of the contracts and who did they think was the end-client?

What did the authorities in Singapore and Japan know about the details of these contracts? What did they tell the Bank of England, the regulator ultimately responsible for supervising the bank and acting as its lender of last resort?

Fatal exposure



Source: Osaka Securities Exchange

■ FINANCIAL FUTURES – By Gerard Baker

Futures exchanges may have to raise their fees

The debacle at Barings has focused attention on the world's financial futures exchanges, where the company's massive losses occurred.

These markets trade hundreds of billions of dollars' worth of financial derivatives every day, and Barings' losses represent a potentially damaging blow to their reputation and to their financial strength.

Most forms of futures contract are deals made between a broker, on behalf of a client, and the exchange itself. If a broker is unable to meet the costs of its contract, as is apparently the case with Barings, it is the exchange that must bear the loss, in this case the Singapore International Monetary Exchange (Simex) and the Osaka Securities Exchange.

In order to protect themselves from the potentially ruinous effects of such losses, exchanges require brokers to put up a proportion of the value of the contract as "margin".

In Osaka that figure is about 9 per cent of the total value, while in Singapore it is around 1 per cent.

In normal circumstances the margin is sufficient to meet most putative losses on contracts, and the exchanges' financial position is not adversely affected.

Simex officials yesterday said that it had sufficient funds to meet any liabilities that might arise from the non-performance of Barings' contracts. Osaka officials also indicated that they would be able to provide the necessary funds.

But that could be at a price. Barings' losses are potentially larger than the margin figure on both exchanges. And the company reportedly failed to meet a margin call last week on its most recently bought contracts as its losses deepened.

These two factors could leave the authorities facing a deficit on the contracts themselves.

"It is quite likely that the exchanges will not have sufficient funds to meet the losses from Barings when they fall due," said one broker in Tokyo yesterday. Though they have guaranteed they will foot the bill, they may have to resort to special measures to replenish their coffers.

Simex reported yesterday that it would raise the costs of margins. That is likely to dampen further trading in an already cautious market.

Both exchanges may also have to consider raising extra capital to insure against such big losses in future.

That might mean raising the fees they charge brokers.

The implications are likely to be global. Financial futures markets around the world will be reviewing the strength of their own capital and looking again at the liabilities of the brokers who trade with them.

■ THE FAMILY – By Peter Marsh

Lord Howick: 'not an inkling'

Sadness and shock were in evidence yesterday among the several hundred members of the Baring family, one of Britain's oldest and most influential business dynasties.

Lord Howick, a leading scion and a former managing director of Baring Brothers, probably summed up the feelings of most of the family. "It's come completely out the blue; we didn't have an inkling this was about to happen," he said from his home in Alnick, Northumberland.

Lord Howick, a great great grandson of the bank's founder and a director of the Baring Foundation, the charitable trust which owns the bank, said he knew little of the circumstances behind the bank's downfall. "But I'm quite sure it was an aberration," he said.

Equally dismayed was Mr Julian Baring, a director at Warburg Asset Management, part of S.G.Warburg Securities, and another leading family member. "I don't want to talk about what's happened; it's a very difficult time," said Mr Baring, while another family member said simply: "I'm devastated." Today's Barings are part of the five family groups into which the Baring dynasty split during the 18th century, and all of whom can trace their descent to Francis Baring, who started the bank in 1762.

For their part in helping to provide the financial base for developing the British empire, the five family groups were each rewarded by the British government during the 1800s and early 1900s with hereditary titles. Their names live on today: Ashburton, Cromer, Howick of Glendale, Northbrook and Revelstoke.

It was Baring cash that helped British companies to build up trade with India and other parts of eastern Asia – a link which is ironical given the Singapore base for the financial dealmaking which led to the bank's demise.

Baring also prospered handsomely from bankrolling British military exploits overseas, for example in the war of American independence.

Reflecting the family's status, the Baring name crops up among the list of the great and good which has served the British establishment for more than two centuries.

The first Lord Ashburton – whose family motto is "Fortitude under difficulties" – was the president of Britain's board of trade and master of the mint in charge of coin making. The first Lord Cromer – family motto "By probity and industry" – was the comptroller general of Egypt.

While the father of the current Lord Cromer was a former governor of the Bank of England, the third Lord Northbrook was a chancellor of the Exchequer. If Francis, the bank's founder, is often regarded as the most talented Baring, the calmest was probably the third Lord Revelstoke, managing director of the bank between 1911 and 1934, and who survived several early 20th century banking crises by sitting at his desk and reading Homer.

Once when in Madrid negotiating an important loan, Lord Revelstoke, a keen naturalist, is said to have sent back to London an urgent cable requesting not financial details but the whereabouts of some nesting birds.

Today the family rarely meets as a unit. "We are too widely spread; there are so many cousins it's difficult to keep track of them," said one family member. The unofficial family head is the seventh Lord Ashburton, chairman of Barings between 1985 and 1989 and the current chairman of British Petroleum.

Lord Ashburton is on friendly terms with the Queen and also a past business confidante of former prime minister Baroness Thatcher. Mr Peter Baring, the Baring chairman, is part of the Revelstoke branch of the family, while his brother Nicholas is chairman of insurance company Commercial Union.

Yesterday Nicholas was not taking any calls from outsiders at his company's London headquarters, a sign that one of Britain's most distinguished dynasties was preferring to conduct its mourning in private.

■ THE FOUNDATION – By Simon Kuper and Andrew Adonis

Income plummets but grants to be honoured

The Baring Foundation, the UK's ninth largest grant making trust, expects its annual income to fall from £14m to just over £2m because of the bank's collapse.

Most of the assets of the charity, which is a prominent grant-giving trust not tied to a single charitable sector, are held in Barings shares. Only about £50m of the foundation's £280m assets were in other investments at the beginning of 1994, the latest figures available.

Mr David Carrington, director of the foundation, said: "We're all devastated. Last week we were a significant grant making trust. It's a fairly big turnaround." The foundation made made grants totalling £13.7m last year, the bulk of them to social welfare groups. The trust would honour its outstanding commitments, Mr Carrington said. It did not expect to have to erode its remaining capital to do so.

The collapse will be a blow to parts of the charity sector. The foundation's grants last year ranged from £100 to £500,000 to the King's Fund, the health policy institute. The Housing Association's Charitable Trust, helping the homeless, received £375,000.

Most of its grants were small, as the foundation sought to aid as many bodies as possible – 750 last year. Baring has a reputation for funding projects in London, Merseyside and the North East, each of which received 10 per cent of total funding.

Recipients included the Liverpool Philharmonic Orchestra, the British Museum, the Samaritans, The Mines Advisory Group, Oxfam, other international agencies working in Africa and South America, and many local voluntary organisations. Groups working in South Africa received £500,000 last year. Mr Carrington said: "There are a lot of charities for whom we have become a regular source of income."

Mr Nigel Siederer, director of the Association of Charitable Foundations, said the collapse of Barings was "serious but not critical" in the context of a total of £1bn in charitable grants this year.

Ms Ruth McLeod, director of Homeless International, a housing charity, said: "The foundation's trouble potentially removes a source of funding for innovative projects that other people won't finance."

The foundation, set up in 1969, owns all Barings' ordinary non-voting shares. Last year it received £8m gross in donations from the bank, £3m in dividend income from its Barings shares and a further £900,000 in tax relief on the dividend income.

■ BRIEFLY

Future of new City offices in doubt

Uncertainty surrounds the future of 60 London Wall, the City of London office block which was to house Barings' investment banking operations from September. Baring Brothers signed a 22-year lease on 230,000 sq ft of space in November, the largest City letting for three years. The firm planned to bring its investment banking operations under one roof. Work on fitting out the offices has already started. Scottish Widows, the life insurer, owns the building.

Simon London

US and Mexican arms still trading

US and Latin American subsidiaries of Barings were open for business and continuing operations yesterday in spite of the collapse of their parent company. A spokeswoman said Barings Securities Inc. was separately capitalised and had assets in excess of requirements made the US securities and exchange commission and the New York Stock Exchange. Barings Casa de Bolsa, the Mexican subsidiary of Barings Securities and the group's only broker-dealer was also operating as usual, she said.

Lisa Bransten

Hong Kong side under restrictions

Hong Kong authorities will allow some of Barings' operating companies in the colony to continue trading but only on a restricted basis and under close supervision.

Baring Brothers & Co, the UK merchant bank's bank in the colony, would be permitted to provide corporate finance services so long as it does not incur any further financial exposure, except overheads.

Mr Anthony Neoh, chairman, Securities and Futures Commission, said the fund management business would be allowed to operate so long as no client money is used.

Baring Futures and Baring Securities would both be permitted to settle all outstanding trades in an orderly manner before ceasing trading altogether. Neither is permitted to take on new business.

Simon Holberton

Abbey National's venture proceeds

Abbey National, the home loans and banking group, is poised to take over the management of its joint venture with Barings – Abbey National Baring Derivatives. The wholly-owned subsidiary of Abbey's treasury operations is continuing to operate out of Barings' Bishopsgate offices.

The 30 or so of the 45 staff who are currently on Barings contracts are likely to be offered Abbey National contracts over the next couple of weeks, and the group is also considering a name change for the venture. "You could argue that the words 'Baring' and 'Derivative' do not go too well together at the moment," Abbey said yesterday, "but it is a good business and we have confidence in it".

Alison Smith

Insurance chief warns on controls

Mr Richard Regan, head of investment affairs at the Association of British Insurers, said he believed the Barings collapse was "a one-off which would appear to have been caused by the failure of internal controls". He warned against a hasty rush towards the tougher regulation of derivatives.

Ralph Atkins

Finance union calls for review

Bifu, the finance union, urged banks and other financial institutions to review their procedures in light of the Barings collapse. Mr Leif Mills, general secretary, said: "Banks have got to look at how reliant they are on the proceeds of short-term speculation in currency or commodity movements. It's nothing more than respectable gambling.

"They also have to change the whole hire-and-fire climate in which relatively young dealers take on huge responsibilities under great pressure. They have to create a new climate in which mistakes can be admitted promptly and dealt with before irreparable damage is done."

Andrew Bolger

Dealmakers seek a buyer for themselves

By Nicholas Denton

National Westminster Bank, Barclays and HSBC, owners of three leading UK clearing banks, and ABN Amro of the Netherlands, are leading contenders to buy Baring Brothers' corporate finance arm.

Several US investment banks have also expressed interest but corporate finance executives feel a transatlantic tie-up would compromise Baring's relationship with Dillon Read, which they wish to preserve. The corporate finance team's talks are part a frantic search by Barings group companies and their administrators Ernst & Young for buyers for the bank's businesses.

The administrators said they preferred to sell Barings as an intact unit. But a Baring executive said the group was open to a sale of the three main subsidiaries separately or together. Each of the three, Baring Brothers, Baring Securities and Baring Asset Management, is also engaged in separate conversations with potential acquirers.

The administrators are also preparing to divorce the assets from the liabilities due to the derivatives trading in East Asia.

The corporate finance department, which has recently enjoyed a surge of business, is believed to have offers from UK clearing banks and many others. It did not want to give the impression that it was looking first of all for its own solution. But Mr Nicholas Gold, a director of Baring Brothers, said the corporate finance directors had met and decided to stay together, and move, as a team. Baring Securities, the broking and marketmaking arm, is understood to have identified about 20 interested parties.

The potential buyers do not necessarily include the roughly dozen UK institutions which sought to form a consortium to rescue Baring. But four unnamed banks engaged in negotiations at the weekend to buy Baring businesses before it went bust. They remain interested. Others approached the corporate finance and securities arms yesterday.

ABN Amro, which plans to expand in East Asia and capital markets activities, said: "If there are parts of Barings for sale we, in principle, are interested."

ING Bank, another Dutch bank, did not comment but it is understood to have been in discussions with the Bank of England and Barings over the weekend. The bank, which is strong in eastern Europe, Latin America and Asia, is believed to feel that some elements of Barings, particularly Baring Securities and its emerging markets operations, would fit very well.

Swiss Bank Corporation, was also in talks with Baring. Mr Rudi Bogni went to Baring's offices at 8 Bishopsgate yesterday. But it is not clear whether the talks were to do with acquisitions or Baring's positions in derivatives, a financial product in which SBC is a market leader.

Barclays and NatWest have also been in discussions with parts of Barings. Barclays did not comment but its executives took a prominent role in the weekend discussions. BZW is growing rapidly and Baring Brothers' list of clients would strengthen its corporate finance arm, which is not as strong as its securities operation.

Deutsche Bank and Dresdner Bank, the biggest German commercial banks, are building up investment banking in London. Mr John Craven, chairman of Morgan Grenfell, Deutsche's investment banking subsidiary, was present at the weekend talks. Dresdner Bank was not invited but said yesterday: "We are watching the scene that is playing out with great attention."

Most large US houses indicated they had no current plans to acquire parts of Baring. But Merrill Lynch, which is building up its mergers and acquisitions operation in Europe, did not comment and it is believed to have expressed interest. Private individuals in the Middle East and Far East have also made inquiries. Time is the great pressure. One executive at a subsidiary said: "We have days or at most weeks to find a suitor."

The danger for Baring Securities is that the staff at some of its 24 offices will effectively declare independence. It was engaged yesterday in a massive telephoning operation, not only to clients, but to employees. Potential buyers are also aware of the ticking clock. ABN Amro said: "Baring today is not the same as Baring yesterday. The assets are falling in value as we speak."

■ ASSET MGT

£600m may be bid in break-up

It has been fashionable among investment banks to build up their asset management arms in recent years and Barings has been no exception, writes Norma Cohen, Investments Correspondent.

Thus, it should come as no surprise that a number of bidders seeking to buy the asset management business on its own have come forward in recent days. Competitors have said the administrators could realistically expect to receive £400m to £600m for the sale of the asset management arm alone, depending on the conditions of sale.

Indeed, investment consultants say, it has been more successful than most and has been unusual in its ability to build a broad international portfolio of clients which makes its asset management business one of the most desirable in Europe. About a third of its assets are those of non-UK clients.

"They have a very good mix of business world wide and the UK has not been their greatest strength," said one consultant. However, their expertise in foreign markets, particularly in emerging markets has bolstered their ability to attract assets from US pension funds which are rapidly expanding their non-domestic investments.

The question is whether the collapse of the Barings group will undermine the loyalty of existing clients and cause them to desert a fund manager widely viewed by consultants as one of the half-dozen top firms in the business.

Moreover, Barings has reorganized its business internally in a move which consultants say should make it more responsive to clients. At the end of 1993, it began to appoint client service managers to "hand-hold " thus giving its fund managers more time to just pick stocks. Along with that change, it has become more aggressive about the tilt it has given to its portfolios.

"They are trying to get away from the 'Barings is balanced and boring' label, said one consultant.

However, their aggressive stance harmed their performance badly in 1994, after a year of outperformance in 1993. Consultants say that while almost all UK fund managers produced negative returns in 1994, Barings' average return was a negative 7.2 percent, against an industry median of negative 4.8 percent.

Baring Investment Management has roughly £27bn in assets under management, and a broad mix of institutional, private client and retail funds based around the world. According to a study released last summer by InterSec, a US-based pension fund consulting firm, BIM was the 59th largest fund manager outside the US.

■ CORPORATE CLIENTS – By Nicholas Denton

Wait-and-see approach on advice switch

Corporate clients of Baring Brothers, the group's merchant banking arm, are taking a wait-and-see approach. They have been supportive without ruling out a change of advisers.

The company on Barings' list most affected by the crisis is Wellcome, which is fighting a hostile bid from rival drugs company Glaxo.

Mr John Robb, Wellcome chairman, said he was perfectly satisfied that Barings would continue to play a full part in helping secure a higher offer.

The company complimented the skills of the team of 10 Baring corporate financiers headed by Mr Nicholas Gold and Mr James Lupton.

Wellcome believes it can insulate the team from the turmoil at their employer. The advisers are working out of Wellcome's offices. "We have been camped out at Wellcome since January 24," said Mr Lupton.

Lloyds Bank, another Barings' client, is in the closing phase of its acquisition of Cheltenham & Gloucester Building Society. It said it had every confidence in Barings' corporate finance team, headed by Mr Matthew Greenburgh. In any case, Lloyds said, there was little work for advisers in the run-up to the extraordinary general meeting in March to consider the proposals.

Baring Brothers has about 70 quoted clients in the UK, including joint adviserships. Among them are 3i Group, Allied Domecq, Coats Viyella, Johnson Matthey, Midlands Electricity, Scottish Power, W. H. Smith, Whitbread and Yorkshire Water.

Other companies have also been supportive. One client was reported as saying: "If you need any help to stave off the rodents, let us know." Another said: "You don't ditch people you work with when they get into a bit of bother."

Baring Brothers executives said the reaction had been fantastic. "It rather brings tears to the eyes," said Mr Gold.

But at Wellcome, where Barings is working alongside Morgan Stanley, the US investment bank, the company did not rule out action if Barings were to be taken over by an institution with a conflicting interest in the struggle against Glaxo.

Nor were other companies willing to commit themselves to continuing to use Baring Brothers. Lloyds said: "There is so much up in the air at the moment." Another client, Inchcape, the international trading company, said it was shocked and disappointed at what had happened, but it was too early to say how it stood.

The experience of another investment bank which went through crisis, Kleinwort Benson in the early 1990s, was that clients were initially supportive. But defections came later.

Baring Brothers corporate finance directors are conscious of the pressure of time. Mr Lupton said: "We realise that we have to come up with an attractive solution, a good quality home."

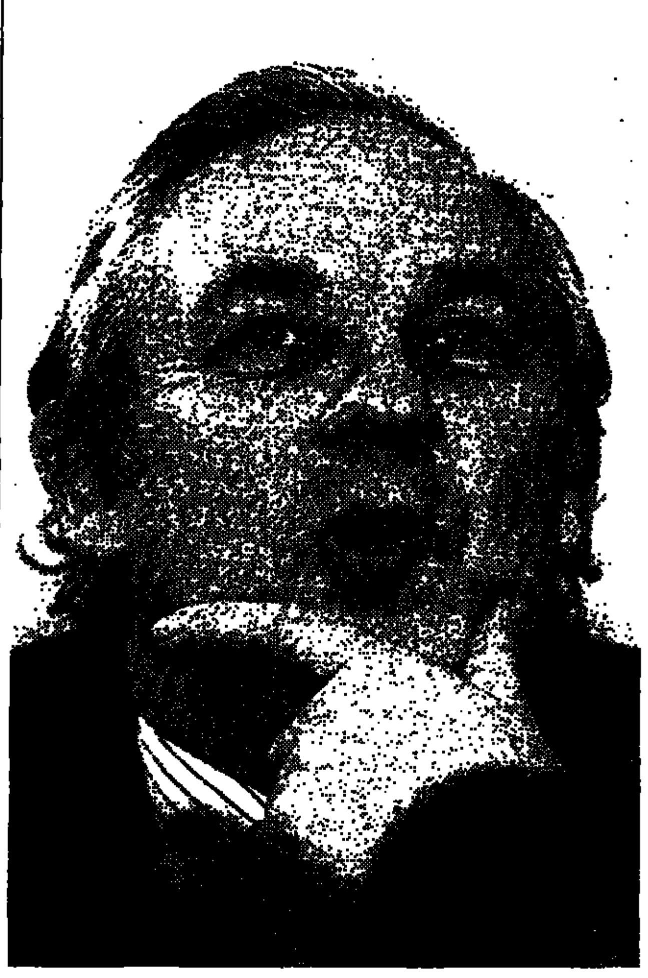
The division has to contend not only with potential client defections, but departures by members of staff. That would in turn accelerate the dissolution of the merchant banking franchise.

Executives said they had been bombarded with approaches. But the 12 directors of corporate finance, a closely knit department, met last night to vow that they would stay together.

It is less clear whether they will remain in the Barings group. Mr Gold said: "We want to move as a team. That is where our value is."

■ RESCUE TEAM – By Jim Kelly

'Still in business' say administrators



Ashley Ashwood

Mr Nigel Hamilton at the Ernst & Young press conference

The administrators to Barings put on a bravura performance yesterday in an attempt to maintain the business' biggest asset – its reputation and the goodwill of its 3,000 worldwide employees.

"We are still in business. The group is still in business," lead administrator Mr Nigel Hamilton of accountants Ernst & Young told a London press conference.

Mr Alan Bloom, also appointed as an administrator, said the workforce would not "let a hiccough like administration get in the way" of maintaining their commitment to the bank.

Officially the administrators of Barings have three months to prepare a rescue plan to put before the courts and creditors. It was quite obvious yesterday, however, that speed is of the essence.

Events have already moved remarkably quickly. Mr Hamilton said that the court order for administration had been passed late on Sunday evening by a judge presiding in an impromptu court in Barings' own London headquarters.

While the administrators will not cut corners they have every reason to avoid wasting time. The reason is easy to see: the specialised assets of the bank, the reputation and skills of its employees, can walk out of the door at any time.

Within 12 hours of the court order being made, Ernst & Young had their people in teams on site at the UK premises of the bank and many overseas offices.

One senior insolvency expert, not with Ernst & Young, said yesterday: "Time is going to be critical here – I would expect to see most parts of the business sold within the next few days. If the people walk out, they don't have a business."

Ernst & Young said: "Our work at this stage has largely centred around reviewing the current position, liasing with the regulators, both overseas and in this country, and trying to understand how the various businesses operate."

The spokesman went out of his way to praise the staff and to make it plain that only "one specialised area" of the business had problems. This "in no way reflects the quality of the core activity of Barings corporate finance, securities research and central banking function which have been highly successful." He said there was every chance it could be successful again.

Mr Bloom said: "We haven't seen any signs of people leaving yet. We have given them our full support and they have given us their full support. A lot of this business depended on the goodwill of that workforce. It is highly skilled and highly talented."

The team put together by Ernst & Young certainly has the experience for the task – Nigel Hamilton is a leading insolvency practitioner who was involved in Canary Wharf, British & Commonwealth, Lowndes Queensway, Barlow Clowes, and Laker Airways. Alan Bloom was joint administrator at Canary Wharf. Maggie Mills, also appointed as an administrator is an expert in banking practice after experience with the failed British & Commonwealth merchant bank.

In the first days of the administration the team will concentrate on collecting, and verifying, information about the Barings' business. On a more mundane level they will take responsibility for matters such as building security. They will be opening up lines of communication throughout the group to different parts of the business to see which are affected.

Meanwhile a "frontman team" will be responsible for negotiating with potential buyers. Mr Hamilton made it clear yesterday that the hope was that the business could be sold as a whole – and that there were plenty of potential buyers in the UK and abroad.

The final outcome of the administration is difficult to predict. Mr Hamilton was upbeat about the prospects for creditors.

■ BARING SECURITIES – By Nicholas Denton

Brokers stick together to seek new home

Baring Securities, the broking and marketmaking arm of the group, yesterday took its first tentative steps towards independence – and survival. It is in a weaker position than the corporate finance arm, which is compact and provides a steady stream of income.

It is more difficult to sell as an ongoing business. Most of its operations have been suspended after the insolvency of the group as a whole. In major markets, Baring Securities remains active only in the US, where it has a separately incorporated and "ring-fenced" subsidiary.

The strengths in emerging markets, which were its speciality, are less appealing since the Mexican crisis and the fall from favour of developing economies.

But at its headquarters at 1 America Square yesterday the mood was purposeful. Morale may have been boosted by the wine which stood, opened, on the trading desk dealing with Japanese securities. No departures of staff were reported. One who was out of contact was an employee helping Save the Children fund in Bosnia.

A triumvirate of Mr Dairmot Kelly, Mr Michael Baring and Mr Michael Howell was leading the quest for buyers.

Baring Securities yesterday said it had a list of 20 potential acquirers. Its analysts are still putting out reports and preparing the index of emerging stockmarkets which is a benchmark for investors.

Over the weekend staff contacted clients and asked them either to cancel orders or passed them on to other brokers. The house said it had dealt with most unsettled trades. Managers were also developing with the administrators guidelines for staff to match Baring Securities's contractual obligations with the law relating to administration - telling them which deals they could complete.

It benefits also from being at arm's length from the derivatives trading which crippled the group. Mr Nick Leeson, the rogue trader, was part of Baring Brothers. A Baring Securities executive said yesterday: "This was an event that was not in our domain."

■ CHANCELLOR OF THE EXCHEQUER'S STATEMENT TO THE HOUSE OF COMMONS

Clarke promises 'rigorous' regulatory review

This is the full text of a statement made to the House of Commons yesterday by Mr Kenneth Clarke, chancellor of the Exchequer:

Tony Andrews

Mr Kenneth Clarke, the chancellor, arrives at the House of Commons to deliver his statement

With permission, Madam Speaker, I would like to make a statement about the insolvency of the merchant bank Barings.

The Bank of England announced late last night, ahead of the opening of the Far East financial markets, that Barings was unable to continue trading and was applying for administration. Barings' problems have arisen from major losses caused by unauthorised dealings by the chief trader in its Singapore incorporated subsidiary. The losses arise from contracts on the Singapore, Osaka and Tokyo exchanges. At the close of business last week total losses appear to have been in excess of £600 million. Crucially, these contracts have further to run, exposing Barings to further unquantifiable losses. As a result, Barings was unable to continue to trade without the injection of substantial new capital.

As the Bank of England announced last night, the British banks were prepared to supply all the capital needed to recapitalise Barings but only if it were possible to cap the potential liability of the outstanding contracts. In the event this did not prove possible. Other parties were not prepared to take on open-ended and therefore unlimited liabilities. The Governor did not recommend, and in any event, I would not have agreed that public funds should take on these liabilities. Regrettably, in the circumstances, there was no alternative to Barings having to apply for administration.

Although it was not possible at the end of the day to recapitalise Barings, I would like to take this opportunity to pay tribute to the Governor and his staff and the London financial community for their commitment over the weekend to the search for a solution.

I would stress to the House, Madam Speaker, that these circumstances are unique to Barings and should not apply to other banks operating in London. The Bank of England is ready to provide liquidity to the banking system to ensure that it continues to function normally. Deposits at Barings are, of course, at the moment frozen and the extent of any losses on them will not become clear for some time. The deposit protection board will be writing to all of Barings' depositors potentially eligible for assistance.

Madam Speaker, the House will be rightly concerned about how such huge unauthorised exposures could be allowed to happen and build up so quickly without the knowledge of the company, the exchanges or the regulators. I am determined to address that question rigorously and to review the regulatory system thoroughly in the light of this collapse. However, before we come to any firm conclusions, it will be necessary to establish in detail the facts of the case. These were transactions conducted on the far side of the world by overseas subsidiaries on overseas exchanges. There may be some falsification of the relevant records within the subsidiaries concerned. It will take some time to unearth the full and detailed catalogue of events and the methods employed to evade all the required management and regulatory controls.

I have asked the Board of Banking Supervision to investigate fully and urgently all aspects of this episode and to report back to me. The investigation will include the circumstances under which such unauthorised transactions were able to take place and to remain undetected until too late. The Board will need to work closely both with Barings and with the Singapore, Osaka and Tokyo exchanges. The House will recall that the Board of Banking Supervision is chaired by the Governor of the Bank of England and comprises six independent members and three members appointed ex-officio from the Bank.

I can assure the House that I am determined that, when the full facts are known, all the appropriate lessons will be drawn and that any necessary corrective steps will be taken.

In today's global markets, the regulatory tasks are international and must be tackled internationally. Over the past two years, with other Finance Ministers in the G7, the G10 and the IMF, I have taken part in discussions of the need to ensure effective regulation of international dealings in derivatives and other instruments in high technology 24-hour trading conditions. The problems are obvious but practicable solutions are less self-evident. No system of regulation can ever guarantee total security. There is always the chance of unwise or fraudulent dealing by one or a group of individuals. The better the bank's systems and controls the less likely this is to happen. Every regulatory authority and every bank must now be considering what further steps it can take to protect itself against this sort of risk.

Madam Speaker, I will report back to the House at the earliest opportunity on our analysis of this case, the lessons to be drawn and any proposals to strengthen security in highly complex financial markets. I would expect to publish a full report on the facts of the case subject only to the need to protect the legitimate confidentiality of innocent third parties and my other legal constraints.

Meanwhile we must also be concerned about the implications of this for the employees of what was, until a few days ago, a successful and highly respected firm. The administrator will no doubt take early steps to clarify the position of the 4,000 or so employees, some of whom will be needed to administer the assets of the business and many of whom work for successful and profitable businesses for which purchasers will no doubt be found. Some redundancies will be inevitable but the employees in this country will of course be able to rely on a measure of statutory protection in the event of their employer being so insolvent that difficulties arise in the payment of salaries and redundancy payments.

This failure is of course a blow to the City of London. But it appears to be a specific incident unique to Barings centred on one rogue trader in Singapore. There has inevitably been some turbulence in the markets since the announcement but global markets should be quite strong enough to absorb it without lasting damage since these events have not changed any of the fundamentals that underline foreign exchange, equity and bond markets

■ POLITICS – By James Blitz and Kevin Brown

Labour attacks 'complacency' and urges inquiry

Mr Gordon Brown, the shadow chancellor of the exchequer, yesterday called on the government to set up a fully independent inquiry into the Barings affair, arguing that the public demanded a neutral assessment of the problems posed by derivatives trading.

During exchanges in the House of Commons, Mr Brown expressed concern that the Board of Banking Supervision, which is to investigate how Barings was drained of funds, is to be chaired by Mr Eddie George, governor of the Bank of England.

Attacking what he called the "culture of complacency" surrounding the regulation of UK banks, he said an independent inquiry was needed "so that it can examine among other things, objectively, the actions of the Bank of England and regulatory authorities".

According to senior Labour officials, Mr Brown will argue that the Board's links to the UK central bank make it incapable of producing a credible judgment on how Barings was drained of its funds.

"If you were going to set up an independent inquiry to decide whether the Bank of England had failed in its regulatory responsibilities, the last person you would choose to chair it is Eddie George", a Labour official said.

Mr Brown's views received partial endorsement from Sir Peter Tapsell, a Tory MP and member of the London Stock Exchange, who criticised the activity of financial futures dealers. "That really is so speculative in nature as to deserve the term 'gambling' and perhaps should be banned by international law", he said.

But the bulk of Tory MPs were supportive of the stance which Mr Clarke had taken on the Barings affair. Mr Matthew Carrington said: "Before we rush in with new regulations, we need to make certain whether the losses that Barings sustained weren't in fact caused by the abuse of the existing regulations".

In later exchanges, Mr Clarke said he was being updated constantly in a "rapidly moving scene."

He said he understood Barings had first become aware of the problem in its Singapore branch the weekend before last. He said Barings had sent someone out to the branch on Monday, but, by Thursday, had realised the serious nature of the losses. He said the Bank of England had been informed on Friday and the Treasury later that afternoon. "Although that sounds very late, the fact is that most of these liabilities had piled up in a very short space of time."

مكبرا من الاصل

Rubin puts forward banking reform plan

By George Graham in Washington and Richard Waters in New York

The Clinton administration has joined an accelerating bandwagon *in favour of breaking* down the ownership restrictions that have separated different branches of the US financial services industry since the Depression.

Mr Robert Rubin, the Treasury secretary, yesterday called for the repeal of the Glass-Steagall Act, which was passed in 1933 after a national run on the banks that threatened to destroy the US financial system and which prohibits *its banks from selling or* underwriting securities.

In a speech to the Greater New York Savings Bond Committee Mr Rubin said the reforms he proposed would allow banks to simplify their ownership structure by allowing traditional commercial banks to own securities companies or other non-bank subsidiaries directly.

Mr Rubin's proposals follow the same general line as separate reform plans put forward by Congressman Jim Leach and Senator Alfonse D'Amato, who chair the House of Representatives and Senate banking committees, but differ in detail.

Mr Leach's bill is more narrowly drawn, and would still prevent banks from being owned by insurance companies. Mr D'Amato favours much more sweeping changes to the law, and has introduced a bill that would do away with all restrictions on affiliation between banks and other financial or non-financial businesses.

The Treasury approach is somewhere between the two, allowing insurance companies to own banks but not permitting *wholesale ownership links* between banks and industry.

While some US commercial banks have made considerable headway since being allowed into the securities business by Federal Reserve fiat in the late 1980s, they complain of two lingering problems.

Their securities subsidiaries can earn no more than 10 per cent of their revenues from underwriting securities issues. This restriction was imposed *by the Fed in the 1980s and has* not since been increased, even though Glass-Steagall says only that the subsidiaries must not be "engaged principally" in underwriting.

"The 10 per cent limit has clearly been a constraint on our securities business," said *Mr Ed Shaw, general counsel* at Chase Manhattan. "We have not been able to do business we wanted to do."

The second complaint surrounds the so-called "firewalls" which separate securities and banking operations, originally designed to prevent problems from one side infecting the other. Banks say these restrictions prevent them from undertaking some legitimate activities, such as using letters of credit or other credit facilities as backstops to support securities issues for their customers.

Commercial banks generally say that they are more confident about the chances of reform now than when similar

Rubin: reform plan

legislation has been proposed in recent years.

"This is the first time that we've had both houses actively thinking of reform," said Mr Shaw.

The Republican victory in *last November's elections* has removed the main obstacle to repeal of Glass-Steagall: the implacable opposition of Democratic Congressman John Dingell, who for 14 years chaired the energy and commerce committee, with jurisdiction over the securities business.

Sober Chile spared tequila hangover

Cautious investment policy has helped buck the regional trend, writes **Imogen Mark**

As other Latin American countries struggle with current account and fiscal deficits and prepare for tough budget cuts, Chile is emerging from a two-year cooling-off period ready to take advantage of the stronger world economy.

In 1994 Chile had a modest \$460m (£290m) current account deficit, 0.9 per cent of GDP, according to the central bank. There was a \$700m surplus on total trade of \$22.4bn, and a capital account surplus of \$4.16bn. Reserves stood at \$13.5bn at the end of December, 15 months' worth of imports.

Some of the good news was accounted for by higher prices and increased production of *Chile's main export*, copper. But the economy is less dependent on its old mainstay than before, thanks to diversification of the economy under strong investment.

Foreign investment reached a record \$4.2bn last year, 70 per cent up on 1993, according to the *government's foreign* investment committee. More than half, \$2.5bn, was direct investment in new projects, in gold and copper mining, energy plants and telecom and cable television companies. Another \$1.7bn came from stock issues by Chilean companies on Wall Street, through American Depositary Receipts.

But the government and the autonomous central bank have stuck to *a policy of limiting* access for foreign investors, and feels justified by the results.

Though overseas investor confidence weakened after the Mexican devaluation, Chile did not *suffer a dramatic outflow* of funds. And the restrictions mean there is no dollar-denominated government debt equivalent to Mexico's *tesobonos.* The public sector foreign debt stood at \$9bn at the end of 1994, but only \$493m is short-term. Total foreign debt stands at \$21 bn, about 41 per cent of GDP.

The government has limited access to foreigners

Overall, GDP grew a respectable 4.7 per cent in 1994, to an estimated \$50.7bn, and economists *expect it to grow* at least 6 per cent this year. The consumer price index came down to 8.9 per cent, after sticking obstinately between 12 per cent and 25 per cent for more than a decade.

There is consensus that the inflation cycle has been broken, and the central bank's target for 1995, 8 per cent, is achievable.

As Mr Jorge Marshall, *vice-president of the Central* Bank, puts it: "None of the ministers in the economic team changed their holiday plans as a result of the events in Mexico."

Whatever happens there, Mr Marshall says, the worst that can happen to Chile is that capital inflows could be affected by investor distrust of the entire region. In this case, he claims, the central bank, with its substantial currency reserves, *will be able to sup*port the value of the peso.

Mr Juan Andres Fontaine, an independent economist and former head of studies at the central bank, agrees some reduction in capital inflows will do the economy little harm. He argues local companies can turn to the local capital markets to finance new investments.

Domestic interest rates have eased recently, but the bank *prime rate still stands at 6.8* per cent a year.

Domestic savings are running at positively Asian levels, 25.5 per cent of GDP last year. Private pension funds, known as AFPs, set up in 1981, account for around 4 per cent of the annual growth in savings, and foreign investment accounts for a similar 4 to 5 per cent.

The stabilising presence of *the domestic institutional* investors in the stock market, and the size of domestic savings, distinguish Chile from its neighbours.

Chile's intra-regional trade has picked up sharply since *the beginning of the decade* and last year represented about 15 per cent of total exports. However, *Mr Marshal* claims that in the event of a protracted regional depression Chile would be able to divert commodity exports to other markets. Finished products would be harder to sell elsewhere, but the impact would be felt by specific sectors rather than the economy as a whole.

The inflationary cycle has now been broken

Chile has the advantage of having experienced problems similar to Mexico's a decade earlier, and having learned some useful lessons.

At the time of the Latin American debt crisis of 1982, Chile had a current account deficit of 9 per cent of GDP, an over-valued currency, fixed at 39 pesos to the dollar, and poorly-regulated banking sector.

When the government finally devalued, in September 1982, most of the banks and many of the biggest private companies were technically insolvent and had to be bailed out. The two biggest private banks and the business groups that owned them were among many enterprises taken into interim state management. The Finance Ministry, under Mr Hernan Buchi, had to rebuild the private sector almost from *scratch. He devised tax incen*tives to spread private share ownership.

But the key lesson they learned, says Mr. Fontaine, was that "keeping the fiscal budget balanced was necessary but not sufficient". They learned that to use fiscal and monetary policy to control aggregate spending, and to orient private spending, he says.

Subsequent governments, and the Central Bank, have kept those lessons very much in mind. And though Mr Fontaine feels more could be done to restrict spending, and remove restrictions on the capital account, he is confident "It would be hard to find a country better prepared than Chile today to face bad weather."

AMERICAN NEWS DIGEST

Argentina delays T-bills auction

Argentina's Economy Ministry yesterday suspended today's treasury bill auction just hours before it was due to announce details of a package to cut public expenditure by \$1bn. The *ministry gave no reason for its decision, nor did it specify* when the auction might be rescheduled.

The treasury had hoped to raise around \$200m (£125m) today through the issue of short-term notes in order to meet its target of \$1.7bn for the first quarter. The money is needed to pay \$1.5bn worth of maturing debt.

In the previous two auctions, the ministry had paid coupons of 10.4 per cent and 11.6 per cent respectively, reflecting tightening liquidity in Argentina's battered markets. The treasury *had not been able to place peso-denominated notes* at all, reflecting continued market fear of devaluation.

Mr Domingo Cavallo, the economy minister, last week hinted that, if interest rates rose too high, he would suspend the auctions. On Friday, interbank "call" money rates had risen to 17 per cent, reflecting the credit crunch that has racked the Argentine financial system since Mexico's devaluation. *David Pilling, Buenos Aires*

Bordón may challenge Menem

Dissident Peronist Mr José Octavio Bordón looks likely to challenge Mr Carlos Menem for Argentina's presidency this May after taking the lead yesterday in a primary organised by Frepaso, a centre-left political alliance.

Senator Bordón, 49, is expected to head the Frepaso ticket with Mr Carlos "Chacho" Alvarez, second in Sunday's primary, as vice-presidential running mate. Mr Bordón has been a *successful former governor of Mendoza, one of the few* provinces to prosper in recent years.

Mr Bordón joins a three-man race, alongside Radical hopeful, Mr Horacio Massaccesi, and President Menem, who is expected to dominate. *David Pilling, Buenos Aires*

Papal envoy for Ecuador-Peru

Pope John Paul is to send a peace envoy to Ecuador and Peru, the *Vatican said* yesterday. Envoy Cardinal Alberto Furno will hold talks with officials of the two countries in an effort to persuade them to respect a ceasefire agreement in their territorial dispute signed earlier this month, the Vatican said.

Fighting broke out between the two Andean countries along the Cordillera del Condor mountains on January 26. A ceasefire and peace treaty were signed on February 17 but fighting has continued in the remote patch of Amazon jungle. *Reuter, Vatican City*

Denver airport opens

A controversial \$4.2bn (£2.6bn) airport is due to open in Denver, Colorado, this morning after 16 months of delays caused by *difficulties in getting its state-of-the-art computer*ised baggage handling system to work. Replacing the city's congested Stapleton airport, the new *Denver* International Airport is the first large airport to be built in the US since the completion of Dallas/Fort Worth International in 1974.

The visually striking terminal building has a tent-like, fabric roof shaped into 34 peaks symbolising the nearby Rocky Mountains. Critics say it is a white elephant, conceived at a time when air traffic was growing more rapidly than now.

Construction, financed through bond issues, has cost more than twice the original estimate of \$1.7bn. But Denver city officials believe the airport will give a powerful boost to the local economy. *Richard Tomkins, New York*

Court ponders discrimination

The US Supreme Court yesterday agreed to review a case that could determine whether civil rights laws designed to protect against discrimination on the grounds of race also protect against nationality-based discrimination. The court said it would hear arguments from Geico, an insurance company, that it was entitled to refuse to sell insurance to people who are not US citizens.

Geico was sued by *Mr Vincent Duane, an Australian who* lives permanently in the US, after it refused to insure his home in Baltimore. Geico's attempts to have the case dismissed were rebuffed by a federal judge and by the federal appeals court in Richmond, Virginia.

The 1991 Civil Rights Act made it clear that discrimination is barred in private as well as government contracts, but Geico argues that it is only barred from racial bias, not discrimination on the grounds of citizenship.

Although the case refers to contract law, some lawyers believe it could provide clues to the Supreme Court's views on measures both at the state level and in the US Congress aimed at restricting social services and welfare benefits to aliens, both legal and illegal. *George Graham, Washington*

Vital measures go before parliament for the first time today. **Robert Graham** reports

Lira pays price for budget nervousness

The lira suffered a fresh and dramatic decline yesterday, falling almost 4 per cent against the D-Mark and weakening against all major currencies. It was the largest single fall since the crisis of September 1992 and the Bank of Italy is understood to have intervened heavily. Over the past two weeks the currency has declined 8 per cent against the D-Mark.

The Italian currency had closed last Friday at L1,107 against the D-Mark but opened yesterday at L1,125 and was soon at a new historic low of L1,161 before being officially fixed by the Bank of Italy at L1,147.

The continued weakening of the lira was only partially caused by problems in the international currency markets and the knock-on effect of the Barings merchant bank collapse. Nervousness about parliamentary approval for last week's L20,000bn (£7.8bn) mini-budget and the length of the government's mandate played an important part.

The package of financial measures, designed to hold the the 1995 budget deficit to its original target of 8 per cent of gross domestic product, was unveiled last Thursday by Mr Lamberto Dini, the prime minister. The mini-budget is due to begin its delicate passage through parliament today when it goes before the Senate.

The measures are essential to restore Italy's public finances and Mr Dini has hinted that he will resign if he fails to obtain approval for the package. In this, the attitude of the former governing rightwing coalition headed by Mr Silvio Berlusconi, the ex-premier and leader of the Forza Italia party, will be crucial.

The government, composed entirely of non-parliamentarians, lacks a natural majority in parliament. Mr Dini won a vote of confidence on his mandate last month supported by the parties of the centre-left and with the abstention of Mr Berlusconi and his allies. This was to underline Mr Berlusconi's determination to hold fresh general elections in June.

It would be sufficient for the mini-budget if the rightwing coalition abstained this time. However, Mr Berlusconi appears anxious to demonstrate to the electorate he is against raising taxes and has warned he will propose counter-measures.

Some of his closest colleagues like Mr Cesare Previti, the former defence minister, have gone further and urged a vote against the budget. Mr Giuseppe Tatarella, head of the rightwing National Alliance parliamentary group and former deputy premier, has suggested tabling a vote of no confidence to ensure a June general election.

Adding to the confusion over the budget has been a disturbing new twist to the long-standing discord between President Oscar Luigi Scalfaro and Mr Berlusconi. Last weekend, the president openly accused Mr Berlusconi of irresponsibility in pressing for early general elections, and linking them with regional polls.

The president for the first time made no effort to conceal his antipathy for the media magnate turned politician, and pointedly told Mr Berlusconi only the head of state had the authority to dissolve parliament. He further backed Mr Dini's decision to allow regional elections to be held under new laws, approved last week in parliament, and to ensure that pension reform is completed. Only in this way, he argued, could "serenity" return to Italian politics and a measure of stability return to the financial markets.

Although Mr Scalfaro has since offered to hold a formal meeting with Mr Berlusconi and his partners, the reputation of both has been staked on the elections issue. Mr Berlusconi himself has made little reference to the lira's problems and even appears to believe a financial crisis might help his electoral chances to appeal to the nation as a saviour.

But despite the posturing, Mr Berlusconi and his allies have yet to take a formal position on the mini-budget. This suggests a considerable degree of internal difference. The more prudent are aware that Mr Berlusconi's opposition to a budget prepared by the man he brought to the treasury from the Bank of Italy might backfire in more ways than one.

Lex, Page 18

Commissioner warns over devaluation's effect on competitiveness

Mr Mario Monti, EU commissioner for the internal market and financial services, has warned that there is growing concern among industrialists that the lira's devaluation is giving Italian companies an advantage over their European competitors, writes Caroline Southey in Brussels.

It was impossible to have a guaranteed single market in a situation where currency fluctuations were left unchecked, he said, adding that the continuing devaluation of the lira would in the long term lead to prolonged disruption in the internal market.

Mr Monti said that the "day-to-day episodes" of currency fluctuations in Europe needed to be looked at in the broader context. "This points to the fact that some sort of monetary arrangement is necessary to complement the single market," he said.

The aim of the single market was to create a "level playing field", he said, and one element of this was the monetary component. "It is impossible to be enthusiastic about the single market and be against a single currency or at least some exchange rate stability."

He said that while there had been a massive devaluation in the lira, the rate of inflation had not increased to the same extent. "This has led to a sort of competitive devaluation although obviously this has not been deliberate on the part of the Italian government."

French reveal a passion for opinion polls

David Buchan reports on how surveys fill a political vacuum

FRENCH ELECTIONS
April 23/May 7

The penchant of the French for constantly taking their temperature, political as well as medical, is reaching fever pitch. In the first six weeks of this year more than 40 surveys of voters' intentions were published, and the pace is accelerating now that the presidential campaign is in full swing.

This plethora of polls can affect the course of the campaign and the economy. The publication of three separate polls published last Wednesday, recording apparent gains by Mr Lionel Jospin, the Socialist party candidate and losses by prime minister Edouard Balladur, led to a fall in the franc and crisis meetings within the Balladur campaign.

The French polling commission, which monitors published political polls, tartly reminded the media and commentators that they were concluding far too much from far too small swings that were mostly within the 2-3 per cent statistical margin of error on regular samples of 1,000 people. The commission again pleaded with the media to warn their audience of such error margins, a request that French publications, with the honourable exception of Paris-Match, never heed.

The French are besotted with taking their pulse, and not just on politics. In 1993 1,021 polls on all sorts of issues were published in France, around half by the media and the rest by private companies and public bodies, and a far larger number of polls remain confidential.

Obviously, political polls follow the rhythm of elections. But even in relatively quiet electoral periods, "the media in France devote more column inches and air time to political polls than in any other country", says Ms Anika Michalowska, editor of L'Opiniometre, an international newsletter on polling.

Why is this so? The main answer, according to Mr Brice Teinturier of the Ifop polling institute, is that, under the Fifth Republic, presidents are elected by universal suffrage and certain decisions are put to national referenda, giving politicians a strong incentive to keep tabs on what the public is thinking. "Before 1958 [when the Fifth Republic was created] political polling barely existed," he says.

The generally weak role and structure of French political parties also means that politicians use the polls, rather than their own parties, to guide their behaviour. Even though their Union for French Democracy federation has almost entirely deserted them for Mr Balladur, the ex-president, Mr Valery Giscard d'Estaing, and his former prime minister, Mr Raymond Barre, are still seriously sifting the polls to decide whether one or other of them might run. Likewise, the Socialist party's rank and file chose Mr Jospin over their party leader, Mr Henri Emmanuelli, to be their presidential nominee because the former led the latter in the opinion polls.

In addition, the French press like the publicity that polls give them. They seem to find a poll costing them anywhere between FFr50,000 (£6,135) and FFr250,000, depending on the length of the questionnaire, a relatively cost-effective way of trying to counter their present problem of falling or stagnating circulations.

How good are the polls? The French polling industry, whose top 10 companies turned over FFr4bn and employed 2,600 people in 1993, has an advantage over some of its foreign counterparts in being able to draw on the very exhaustive knowledge of the population drawn up by Insee, the government statistics agency. French pollsters use this Insee data to make up their samples by quota, age, sex, region, profession and so on – in contrast to the random sampling often used abroad.

> Because of a weak French parliament politicians follow the real debate – in the streets

They also "correct" the results by asking people who they voted for at a previous election, and then checking the actual overall result was at that election. "For instance, we often find there are not enough people from the National Front [Mr Jean-Marie Le Pen's extreme right wing party] in our samples," says Mr Teinturier, "because they do not always own up to having voted that way in the past. So we correct for this".

For these reasons, French pollsters reckon they are as good, or better, than anyone in the business. But any poll has a margin of error, they acknowledge. Only the BVA polling institute seems to make systematic reference to error margins in the polls they send to clients.

France's addiction to polls is both cause and effect of serious defects in the country's political system. It is the result of weak political parties, particularly at the grass roots and of weak unions (except in the state sector). A weak parliament means that real debate often takes place in the streets, hence both the difficulty of – and the importance to – those at the top of knowing what the man-in-the-street is thinking.

It is not surprising, therefore, that France has a leader, like Mr Balladur, who conducts reforms as if he were walking on eggs. Mr Balladur was at Georges Pompidou's side in May 1968 and does not want another "omelette". Part of his solution is a promise to make more use of referenda, if he is elected president this May.

Nato secretary-general changes line over kickback allegations

By Bruce Clark and agencies

Mr Willy Claes, the secretary-general of Nato, appeared before Belgian investigators yesterday to state his position over the kickbacks allegedly paid to the Belgian Socialist party by the Italian helicopter company Agusta.

In a terse announcement, an alliance spokesman said: "The secretary-general this afternoon, on his request, made a declaration to the judicial authorities handling the Agusta affair." Mr Claes was economic affairs ministers in 1988 when the payment is alleged to have been made. After initially denying all knowledge of the affair, he said last week he remembered vaguely that Agusta had made an offer.

Investigators also questioned Mr Frank Vandenbroucke, the Belgian foreign minister, about the scandal.

Hours before the announcement, the embarrassment of Mr Claes over the Agusta affair was highlighted when he abrupted cancelled plans to appear alongside US Vice-President Al Gore at a news briefing.

Willy Claes, under a cloud over his alleged knowledge of kickbacks to his party, sorts out his spectacles at the beginning of yesterday's meeting of Nato ambassadors and Al Gore *Reuter*

Had he faced the press, the secretary-general would have run into a barrage of questions about the incentives allegedly used by Agusta to secure a contract to supply helicopters to the Belgian army.

A week ago, when Mr Claes first suggested to Nato ambassadors that he volunteer a statement to the judicial authorities, envoys are understood to have responded coolly to the idea. Since then, pressure on the secretary-general has mounted, and his own version of events has changed.

Mr Gore expressed his full support for the Belgian politician. "The United States has full and complete confidence in Secretary-General Claes," he told newsmen.

On other alliance issues, Mr Gore suggested that the west, which is trying to formulate a new strategic relationship with Russia, may drop its insistence that Moscow take part in a Nato-inspired military co-operation programme.

The suggestion of a softer line towards Moscow came as Mr Gore told reporters of the "very productive and useful" talks between US and Russian officials which took place in Washington last week.

The talks apparently failed to secure agreement on the despatch of a reassuring letter from President Bill Clinton to President Boris Yeltsin.

The vice-president said that, following last week's talks, it was still hoped that Russia would restart its stalled participation in Partnership for Peace, a programme for military co-operation that has been offered to all Nato's former adversaries.

He added: "We very much hope that Russia will sign the PFP agreement and become a partner, but whether it does or not there will be an ongoing process to deepen and clarify Russia's relationship with Nato."

Mr Douglas Hurd, the UK foreign secretary, is expected to call today for relations with Russia to be managed carefully as Nato moves to take in new members in central and eastern Europe.

In a speech to a foreign policy association in Berlin, Mr Hurd will argue that Nato enlargement will only be a worthwhile project if it makes Europe a safer and more stable.

He will also refer to European Union enlargement, saying that existing members will need to adjust as much as future ones.

Mr Hurd is using his German trip to drive home the UK view that Europe should acquire greater self-sufficiency in defence, without creating new supra-national institutions or giving the European Union any say over defence.

Britain wants the Western European Union – Europe's defence arm – to be strengthened, but unlike Germany it has ruled out the idea of creating new supra-national machinery for the security of the continent.

CDU slaps down Kinkel critic

Chancellor Helmut Kohl's Christian Democratic Union (CDU) moved quickly yesterday to avert any threat to Germany's governing coalition, slapping down a senior party member who had criticised Mr Klaus Kinkel, the foreign minister, Reuter reports from Bonn.

Mr Heiner Geissler, a prominent CDU reformer, had accused Mr Kinkel on German television on Sunday of being too soft on defending human rights, sacrificing them on the altar of diplomacy.

Yesterday, however, the Chancellery minister, Mr Friedrick Bohl, called Mr Geissler's attack "completely absurd". He said in a statement: "His self-promotion efforts will not break up the coalition."

Mr Kinkel heads the Free Democrats (FDP), the troubled junior partner in the coalition. Tensions have become evident as the FDP's electoral fortunes have waned, raising the spectre of political extinction for the party.

However, Kinkel also played down any threat to the partnership which has governed Germany since 1982. "This coalition will easily last four years," he told German radio. "There are too many differences with other potential partners.

"Mr Geissler has written a book that will appear on the market soon. Apparently he is trying to make headlines," he said. "I do not need any extra lessons from Mr Geissler in human rights," he said, adding that he had spoken out strongly against violations in Turkey, Iran, China and other countries.

Mr Geissler has started a minor uproar by suggesting in his book that conservatives should form a new Bonn coalition with the environmentalist Greens.

He had to back off after party colleagues poured cold water on the idea. But he has stuck to the prospect that the once-radical Greens might become the CDU's partners some day if the FDP faded from the political scene.

The FDP had crashed out of nine consecutive regional state elections before staging a comeback in Hesse this month by winning more than the minimum 5 per cent of the vote.

Mr Kinkel has credited his party's rebound in Hesse to its platform in favour of cutting taxes, promoting small and medium-sized business, liberalising abortion and making it easier for foreigners to get German citizenship.

He has said that pushing this liberal agenda harder in Bonn is the key to FDP success in crucial state elections in North Rhine-Westphalia and Bremen in May and in Berlin in October.

Riga to rule on Russian illegals

Latvia's cabinet will decide today whether to deport up to 2,000 former Russian servicemen and their families who stayed on after Russian forces pulled out of the country, Reuter reports from Riga.

A decision to deport would probably harm the Baltic country's relations with Moscow, but could be justified on the basis of existing agreements between the two, Latvian government officials said yesterday.

Russia and Latvia signed an agreement last spring under which all servicemen demobilised from forces in the newly independent country after January 28 1992 should have left by August 31 1994.

Senior Foreign Ministry official Aivars Vovers, who has special responsibility for Russian relations, said the government would make a decision on deportation today. Latvian immigration rules include the possibility of expulsion, he said.

Asked how deportations might affect relations with Moscow, Mr Vovers said: "Of course they would seriously complicate our relations with Russia.

"But Russia recognises that the treaty is supposed to be complied with and there could not be too much protest."

Riga has estimated there are about 2,000 illegals and has ordered them to register by March 1 for temporary residence up to April 30. After that deadline they must leave.

The Russians say more time is needed because the families insist they have nowhere to live in Russia.

In talks on the issue, Russian representatives have put forward a list of 1,641 persons who are in breach of the treaty and provided a schedule for their planned departure dates that runs to the end of the year.

Officials say Latvia has so far failed to agree to this. They point out that 300 more people in the category, who were not on the Russian list, have already come forward voluntarily. "This list is incomplete," an immigration official said.

Mr Vovers said: "There are a lot of people among the group who want to stay and do not intend to leave. They will use all possible means to stay, like counterfeiting documents, therefore we don't have much chance to reason with them."

Mr Ugis Sulcs, deputy head of the Interior Ministry's citizenship and immigration department, said deportation was a serious option.

"The Interior Ministry will use the means provided by law against those persons who do not become legalised – and that is expulsion," he said.

However, Mr Sulcs said he thought the deportation issue was secondary to the bigger battle of principle with Moscow.

EUROPEAN NEWS DIGEST

EU-Moscow N-plants deal

Russia and the European Union signed an agreement yesterday that limits the liability of western aid and equipment suppliers who are engaged in making safe Russia's ageing nuclear power stations. The interim deal, signed by Mr Hans van den Broek, the Brussels commissioner for eastern Europe, and Mr Viktor Mikhailov, the Russian atomic energy minister, clears away one of the main obstacles to an array of nuclear safety projects.

Companies funded by the EU's Tacis programme, designed to help the countries of the former Soviet Union modernise their economies and infrastructures, have long complained that the absence of a liability-limitation deal left them open to law suits in the event of a nuclear accident. The nuclear safety element of Tacis has pumped Ecu327m (£257m) into projects in Russia and Ukraine since 1991, although many have stalled, awaiting clarification of legal liability. The Commission said it would continue to press the Russian government to sign the Vienna Convention which confines accident liability to the operator of a nuclear installation. *Reuter, Brussels*

France tries to end US spy row

Mr Edouard Balladur, the French prime minister, yesterday attempted to put an end to an embarrassing and bitter dispute over industrial espionage between France and the US that erupted last week. In an official statement, he said he had told Mr Alain Juppé, the foreign minister, and Mr Charles Pasqua, the interior minister, that there would be no more comment "public or private" about the activities of "certain citizens in the country". Yesterday afternoon Ms Pamela Harriman, the US ambassador to France, visited his office, after which both sides refused to discuss what had been said. The meeting came after reports that Mr Pasqua had repeatedly asked Ms Harriman to withdraw five US citizens from France following allegations of commercial espionage. Mr Pasqua blamed the US for the leaks but this was denied by the US embassy. French domestic opposition suggested the Balladur government could have leaked the spy story to overshadow a phone-tapping scandal that was embarrassing Mr Balladur at a time when opinion polls had him as clear frontrunner in the race for the presidency. *Andrew Jack, Paris*

Paris seeks long EU presidency

Mr Alain Juppé, the French foreign minister, yesterday called for the duration of the presidency of the European Union to be lengthened to up to two years. Speaking at a meeting in Paris yesterday, he said that the EU inter-governmental conference to be held next year should consider extending the term to one or two years from the current period of six months. He said that a longer term would be "more representative and more effective". Mr Juppé's comments come during the second month of France's presidency of the EU, control of which will switch to Spain at the end of June. At the same meeting, he said that enlargement of the EU to include the countries to the east was "inevitable, necessary and welcome", and said he saw the possibility of eventually developing partnership agreements – falling short of membership – with certain other countries such as Russia. *Andrew Jack, Paris*

Tobacco advert brings a fine

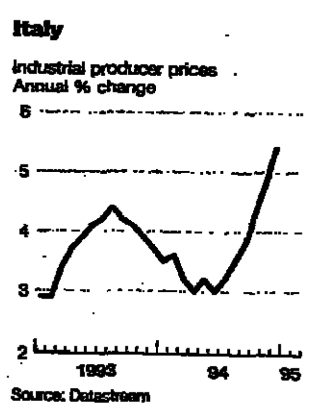
The director of a weekly news magazine has been fined FFr810,000 ($160,000) for carrying advertisements breaching anti-tobacco regulations, according to a court judgment made public yesterday. The court of appeal in Paris on Friday confirmed judgments made in lower courts last year that Mr Francois Siégel, director of VSD (short for vendredi-samedi-dimanche), must pay damages and interest to two anti-tobacco groups which brought action against him. The judgment goes beyond existing legal rulings to suggest that periodicals reproducing advertisements deemed to break existing tobacco laws can be held accountable alongside the advertisers themselves. Tight regulations on tobacco and alcohol advertising came into effect in 1993. The two organisations that brought the action – the Association Against Excessive Smoking and Its Effects and the National Committee Against Excessive Smoking (CNCT) – have both been active in pursuing tobacco companies through the courts in an effort to counter the spread of smoking in France. Earlier this month, CNCT urged its supporters to buy shares in Seita, the state tobacco monopoly now being privatised, to have a say in company policy. *Andrew Jack, Paris*

Italian probe over false invoices

Mr Vittorio Missoni, son of Ottavio and Rosita Missoni, Italian designers of fashion knitwear, has been arrested and questioned about a trail of false invoices which magistrates believe could lead to Publitalia, the advertising agency which is part of Mr Silvio Berlusconi's Fininvest group. Mr Missoni was arrested at Varese, near Turin, on Friday and questioned yesterday by Turin magistrates in his capacity as legal head of MGP, a company which organises sponsorship of offshore powerboat-racing. Mr Giovanni Arnaboldi, a former powerboat pilot and Mr Missoni's partner in MGP, is also wanted for questioning. Italian news agencies said magistrates were following up allegations that MGP and GPA, another company connected with Mr Arnaboldi, invoiced Publitalia between 1991 and 1993 for L12bn (£4.7m), but received substantially less. Publitalia and Fininvest have denied allegations that false invoices were used to set up a slush fund within the group. Milan magistrates are looking into the alleged involvement of Mr Romano Cominicioli, an outside consultant to Publitalia, in a web of false invoicing. Mr Cominicioli, who has not been tracked down by magistrates, is a friend of Mr Berlusconi and his brother, Paolo. *Andrew Hill, Milan*

ECONOMIC WATCH

Italian inflationary build-up



Source: Datastream

Producer prices in Italy continued to rise in December, confirming the worrying inflationary trend first noted in the October figures. The producer price index prepared by Istat, the state statistics institute, rose by 0.6 per cent between November and December, and was 5.4 per cent higher than in December 1993. On average, producer prices increased by 3.8 per cent in 1994, compared with 1993, but the year-on-year increase for December was the highest for any month in 1994. While exporters have benefited from the continuing weakness of the lira, they have also begun to worry about the increasing cost of imported raw materials. Last week, the Bank of Italy had to raise interest rates to combat inflation fears. The highest price rises came in the metals sector, where the increased price of steel tubes helped push up the index by 2.3 per cent against November, and by 14.7 per cent compared with December 1993. Chemical and pharmaceutical prices rose by 11.3 per cent in December compared with the previous year, or 1.4 per cent against December. *Andrew Hill, Milan*

■ The Dutch budget deficit was 2.2 per cent of gross domestic product in 1994, below earlier forecasts after strong economic growth unexpectedly boosted government revenues. The government had estimated the deficit at 2.8 per cent of gross domestic product in its September budget.

■ Dutch consumer spending, unadjusted for price swings, rose 1.6 per cent last year from a year earlier. While consumers in the Netherlands spent more money on food, beverages and tobacco as well as on services, spending on durable consumer goods grew only moderately in 1994 from 1993.

Race tension overshadows Le Pen show

By Andrew Jack in Paris

France's extreme right-wing National Front launched a pre-election roadshow in Paris yesterday as tensions grew over its provocative handling of racial issues in the run-up to the presidential contest this spring.

Mr Jean Marie Le Pen, the leader of the party who is expected formally to announce over the next few weeks that he is running for the presidency for a third time, called for a "peaceful" campaign by his supporters following what he claimed were threats of violence against the National Front from extremist groups.

However, his speech was overshadowed by continued concern over the killing in Marseilles last week of a 17-year-old student with ethnic roots in the Comoro Islands, a former French protectorate, by a supporter of the National Front.

Yesterday's event was also marked by a display of the distaste shown by many French towards the party, with staff at the Eiffel tower, the location for the rally, trying to distance themselves by closing the national monument to visitors.

Their action came after a decision on Sunday evening by Ms Anne Sinclair, a journalist who normally presents a popular current affairs programme called 7-sur-7, to refuse to interview Mr Le Pen as part of a long-running dispute with him.

France has been gripped by renewed racial debate over the last few days following the death of Ibrahim Ali, who was shot in the back in the early hours of Wednesday in a suburb of Marseilles as he returned from a rehearsal with about 14 fellow members of a music group.

There are widely differing versions of what took place, but the public prosecutor in the city has placed under investigation for murder or complicity three supporters of the National Front who had been sticking up posters of Mr Le Pen and Mr Roland Perdomo, who is running for mayor in the municipal elections in June.

In the Sunday evening television interview, which went ahead with another presenter and attracted a record audience of nearly 7m viewers, Mr Le Pen refused to condemn the shooting in Marseilles.

He said it was "regrettable" but that it was "a simple incident with bill-stickers, not a racist crime" and involved "accident of legitimate defence". He maintained his policy that if elected president he would repatriate 3m immigrants over the seven years of his term.

His comments were attacked by a number of anti-racist groups which helped organise rallies over the weekend involving thousands of marchers in Marseilles, Paris, Lyons, Caen and a number of other French cities.

Many of France's politicians have also become involved in the debate, with Mr Robert Hue, the communist party candidate for the French presidency, last week saying that Mr Le Pen was "responsible" for the violence and that his posters were "a real call to hatred".

Mr Ali has been dubbed by the French press as the first victim of the presidential election, yet his death is no longer even the most recent in which race may have played a role.

Some 200 people marched through the streets of St Etienne, in south-eastern France, yesterday following the fatal shooting in front of one of the city's mosques late last Saturday night of Mr Mohamed Azza, a 55-year-old plasterer and painter originally from Morocco.

One slogan read: "We are not animals . . . Marseilles, St Etienne is enough."

Russian bankruptcy agency to get tough

By John Thornhill in Moscow

Mr Peter Mostovoi, the newly appointed head of Russia's bankruptcy agency, yesterday pledged to get tough with insolvent companies which "were a sickness in the Russian economy that had to be cured".

Mr Mostovoi said insolvent companies destabilised the economy by absorbing capital that could be more productively used elsewhere and demanded state subsidies which only fuelled inflation. They also contributed to the non-payments crisis, which currently plagues Russian industry, because of their inability – or unwillingness – to pay their bills, he said. This created considerable cash-flow problems at other healthy companies.

The bankruptcy agency has drawn up a list of 1,400 companies it considers insolvent, with collective debts of Rbs14,000bn ($3.1bn). But the agency's hands have been tied by legal restraints requiring a court order before an insolvent company's management can be replaced. At present, only a company's creditors can generally start insolvency proceedings. Mr Mostovoi was hopeful that the law would soon be changed, giving the bankruptcy agency more powers.

Yet the social consequences of liquidating bankrupt companies could be immense, given that many Russian towns are entirely dependent on one enterprise.

The Russian government, aided by the World Bank, is trying to strengthen the social safety net to cope with these problems.

Mr Hasso Molineus, director of operations at the World Bank in Moscow, said as much as $1bn of bank funding could be forthcoming to back projects to relocate and retrain workers and enable them to find alternative jobs.

"There are all kinds of political, economic and social reasons for supporting this type of activity. I think we can move very quickly in this area when there are projects in place," he said.

The Russian privatisation centre has also launched a two-year initiative to help support social infrastructure shed by privatised companies. Some companies have simply transferred responsibility for former company schools and housing to local authorities, which do not always have the financial strength to maintain them. The federal employment service yesterday said that the number of unemployed rose by 75,000 in February.

There are now 1.71m people officially registered as unemployed in Russia, although that figure would be several times higher using the International Labour Organisation's counting methods.

Even so, Mr Fyodor Prokopov, director of the unemployment service, forecast that the number of officially registered unemployed could rise to 10m by the end of the year.

Winds of market buffet old Soviet dream

Chrystia Freeland *visits Russia's largest car maker founded in planning and left to economic chaos*

Avtovaz, Russia's largest car manufacturer and producer of the Lada, has always been a good barometer of the health of the Russian economy. As Avtovaz's director, Mr Vladimir Kadannikov, likes to put it "what's good for Avtovaz, is good for Russia".

But Avtovaz is no General Motors. On the contrary, it is a very Soviet factory, born more than a quarter century ago in the heady days when Soviet planners still dreamed that communism would bury capitalism. Part of that dream was the creation of a "communist car", and so the planners decided to build one of the world's biggest car plants from scratch.

Avtovaz is no General Motors. On the contrary, it is a very Soviet factory which was established just over 25 years ago

That factory was Avtovaz, which employs more than 100,000 workers and in its heyday produced nearly 750,000 cars a year, of which about 40 per cent were sold abroad. Although Avtovaz's size made it one of the giants of the planned economy its focus on consumer goods and extensive export experience made it better prepared than most Soviet industrial behemoths when the country began its halting transition to a market economy.

In contrast with other leading manufacturers, such as Zil, the Moscow car and truck factory where a financial crisis has in effect shut the plant, Avtovaz is still producing cars, albeit nearly 30 per cent fewer than in the halcyon days of communism. But the factory's future remains uncertain.

As Mr Kadannikov, one of Russia's most influential industrial barons, puts it, "I can never tell whether we've just managed to avert collapse a little bit longer than other factories or if we've really found a way to survive."

Avtovaz is in trouble because it has not managed to free itself from the traditional burdens which the Soviet system imposed on factories but, at the same time, is being forced to cope with new difficulties created by the collapse of central planning.

For Avtovaz, the heaviest legacy of the old system is a bloated workforce and an expensive social infrastructure. Togliatti, where the plant is situated, is a one company town. Because more than a quarter of the population is directly employed by Avtovaz and most social services are provided by the factory, Mr Kadannikov feels a responsibility that goes beyond his factory's gates.

Thus, while some Russian factories have shed between a third and a half of their labour force in an effort to become more efficient, Avtovaz last year cut less than 5 per cent of its staff.

The only catch to this corporate compassion is that, with the demise of central planning, Avtovaz is today unable to afford the feather-bedding which was a standard Soviet practice. Reluctant to fire workers, but unable to pay them, Avtovaz last year simply paid its workers late. But this common Russian solution backfired when workers on the main assembly line went on strike last autumn, costing the company Rbs40bn.

These structural scars which Avtovaz bears from its Soviet past have been inflamed by a series of new problems.

One of them is Russia's paralysing web of inter-enterprise debt. In the Soviet economy, money was an insignificant feature of a system in which distribution was determined by the diktats of central planners. Although the central plan has fallen apart, many factories stuck to the old ways, shipping their products with little regard for payment.

To break out of the resulting network of crippling inter-factory debt, many Russian enterprises today demand pre-payment before shipping goods. As Mr Kadannikov explains, this new practice is particularly onerous for Avtovaz, because it cannot, in turn, demand pre-payment for the cars it produces.

Avtovaz's relationship with its suppliers has become so entangled that, in a perverse Russian version of "just-in-time" supply management, the factory must regularly fly in parts by helicopter to keep the assembly line going.

But for Avtovaz the single biggest worry is inflation. Savings which could buy a car in the late 1980s today barely cover the price of a Big Mac.

To get around this erosion of public savings, Avtovaz is introducing a financial instrument designed to allow consumers to save for a car without losing their money to inflation. Avtovaz is issuing warrants, whose value is tied to the cost of the various car models the factory produces.

One type of Avtovaz warrant is worth one-eighteenth the value of a Lada. Would-be car buyers will be able to accumulate their savings in the form of these warrants, and after they have acquired 18 will turn them over to a Lada dealer in exchange for a car. Avtovaz pledges to buy back the warrants at any time for their cash value calculated on the basis of the current price of a Lada.

Clever financial schemes such as this are the basis of Avtovaz's reputation as one of the most market-oriented of the former Soviet industrial giants. Likewise, Mr Kadannikov admits that one of the decisions to which Avtovaz owes its continued survival is its move to diversify into the financial sector through the establishment of Avtovazbank, one of Russia's largest banks in which the car-producer holds a large stake.

While his high-tech office, retinue of leather jacketed bodyguards and penchant for Marlboros suggest Mr Kadannikov has adopted the tribal markings of Russia's *nouveaux riches*, he is a reluctant initiate.

"Unfortunately, today it is easier to make money in the financial markets than by manufacturing," Mr Kadannikov observes sadly. The wild world of Russian finance, where huge fortunes have been made overnight, has been good for Avtovazbank – but Mr Kadannikov is not sure it has been good for Russia.

Zambia reforms face toughest test

By Michael Holman in London and Reuter in Lusaka

Zambia's economic reform programme faces one of its toughest tests since its introduction in 1991.

A steep decline in the value of the Zambian currency, the abrupt dismissal last week of the former central bank governor and a troubled local bank are enough in themselves to jolt investor confidence.

At the same time, the government must pursue a domestically unpopular privatisation policy ahead of the general election expected later this year.

Failure to pursue the reforms will almost certainly lead to a freeze or cut of vital aid worth several hundred million dollars a year. This dilemma will not be lost on the country's new central bank governor, Mr Jacob Mwanza, who last week assumed the task of halting the decline of the kwacha.

Mr Mwanza, formerly a senior economic adviser to the finance ministry, was appointed on Thursday after President Frederick Chiluba fired governor Dominic Mulaisho in what was termed a move "to restore confidence in the financial and foreign exchange markets".

"The depreciation has largely been self-reinforcing with the continued speculation and panic that has been set on the market. The central bank will have to level it out by intervening," said a central bank official, cited by Reuters, who asked not be named.

But other bankers have told the agency that they expected the kwacha to hit the 1,000 to a dollar mark within the next two weeks.

The first step in defence of the kwacha is under way. Finance ministry and central bank officials have been working with western donors over the past few days to draw up plans to give the bank a more effective supervisory role in the financial and foreign exchange market. It had previously merely allocated foreign exchange.

Mr Ronald Penza, finance minister, has blamed the depreciation of the kwacha from 700 per dollar at the begining of February partly on "a question of management of foreign exchange resources".

Local economists, however, say Zambia needs more than good management. It needs the political commitment and confidence to implement tough choices. Pressing ahead with reform means putting the state-owned Zambia Consolidated Copper Mines (ZCCM), whose nationalisation in 1974 appeared to symbolise Zambia's economic independence, on the market.

Ironically, a possible buyer is the company from whom they were acquired: Anglo American, the giant South African conglomerate.

Adding salt to wounded national pride is the prospect of cuts to the 55,000 workforce on the county's copperbelt, the mineral-rich arc which accounts for more than 90 per cent of export earnings.

Although unions have already agreed to a phased reduction of some 10,000 workers, miners have little doubt that further cuts are likely under private management.

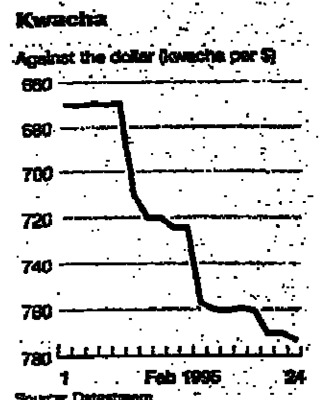
The copperbelt is the heartland of the Bemba, one of Zambia's most important tribes. If Mr Chiluba, himself a Bemba and a former union leader, alienates this region, his re-election prospects look bleak.

On the banking front, the government also needs to restore confidence.

It stepped in recently to save Meridien BIAO Bank Zambia (MBBZ) after it failed to meet the central bank's statutory reserve requirements, apparently because of a liquidity crisis.

In justifying his action, Mr Penza said the "circumstances pose a major problem for the general state of liquidity of the economy as a whole" while putting much of the blame on the shoulders of the dismissed governor.

Kwacha



Source: Datastream

Softly, softly Tunisia goes to market

Roula Khalaf at the Tunis bourse observes the creation of an investor class

When Mr H Djemai, a 75-year-old retired Tunisian policeman, heard recently that the Tunis stock exchange was up 100 per cent last year, he promptly moved his life-time savings into a mutual fund. Mr Djemai is one of the more than 100 people – businessmen, doctors, lawyers and taxi drivers – who now gather at the tiny stock exchange in central Tunis every morning between 10 and 11.15am. While some investors elbow their way to the centre of the room to put in their orders, others just stand around chatting.

Having put its macro-economic house in order with a successful International Monetary Fund-led structural adjustment programme, Tunisia has turned its attention to creating a class of investors who are expected to pick up the future investment burden.

The country has 20 mutual funds with $450m under management, brokerage houses and merchant banks are being set up, and several business magazines are sold on news stands. The market's capitalisation has soared to $2.5bn, or 16 per cent of gross national product, from $448m in 1990.

The market has skyrocketed because all this money is chasing only 21 stocks. And the listed companies are for the most part banks. Last year just two companies went public, raising only $163m.

With typical Tunisian overcautiousness, the government has put the breaks on its privatisation programme. The country has 400 fully and partly owned state enterprises. Since the privatisation programme was launched in 1989, only 46 companies, many of them hotels, have been sold, for a total of $170m. A mere 13 companies were privatised through the stock exchange.

Government officials, while proud of the private sector's burst of interest in the stock market, say they are aware of the bubble they are creating. They promise that the market's artificial boom will be rectified by a slate of new companies set for privatisation – a promise local investors say they have heard many times. Privatisation officials, however, insist big companies, including the profitable Tunis Air, will go private next month.

"The advantage of going slowly is that we learn along the way and we allow people to gain experience with the concept of the stock market," says a government official. "For us privatisation is not an ideological issue, it is pragmatic."

And it requires laws and regulations. A law enacted in November 1994, for example, privatises the stock exchange and creates a securities and exchange watchdog, an accomplishment Mr Ahmed Hadouej, the bourse's president, is proud of. "Show me another Arab country that has all this as well as prospectuses, bonds, equities and mutual funds," he says.

Tunisia's conservative approach, however, frustrates investors and bankers who say that, in its search for a zero-risk strategy, the government gets bogged down in bureaucracy.

For example, Tunisian officials trumpet their emerging bond market as the most advanced in the Arab world. There were 22 issues of corporate bonds last year. But brokers say the development of the bond market is simply cosmetic because companies issuing corporate bonds are required also to have a bank guarantee. This means investors are taking a bank risk, not a company risk.

"It's all a decor because there is no competition between banks and the financial market," argues one investment banker.

Another reason for slow movement on the privatisation front, however, is social concern. With the Algerian civil war raging next door, Tunisia, which moved to crush its own Islamist movement in 1991, remains vigilant, following a strategy focused on lifting the population's standard of living. Any cracks in the strategy, however, such as widespread layoffs, could upset a carefully crafted balance.

Mr Hadouej says there is no need to wait for privatisation. The private sector will inject new life into the bourse. By encouraging family businesses to group far-flung companies under a single holding, he believes he will steer them towards raising capital on the bourse.

Some bankers agree. "Companies are beginning to see the benefits of going public," says Mr Adel Dajani, co-founder of the newly formed International Maghreb Merchant Bank.

So far, however, only one company – Palm Beach Hotels – has chosen this route. "This is the example, this is the hope," says Mr Hadouej.

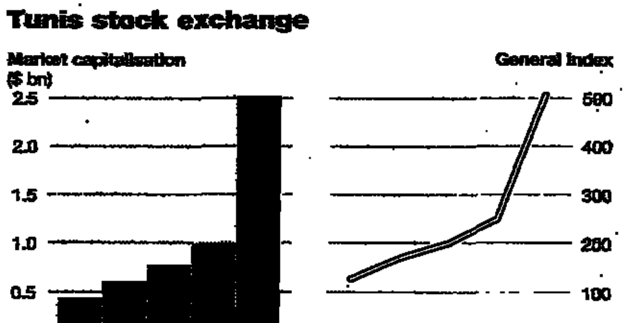
Tunisia's macro-economic successes have not escaped the attention of emerging markets fund managers, whose participation and the pressure they put on governments help speed up privatisation programmes. But unlike Morocco, which welcomed international investors with open arms, Tunisia's conservative attitude has kept foreigners out.

Foreign investors until recently required government authorisation to invest on the stock market. But as local demand continued to rise, the government decided to suspend authorisation for foreign investors in anticipation of a new law which lays out the rules and percentage ownerships allowed for foreigners.

Brokers and bankers warn international investors not to raise their expectations about the opening of the Tunisian market. Tunis is keen to attract long-term foreign money for direct investment but considers international stock market investors speculators who prey on an emerging market then move on to their next victim.

"By keeping foreigners out of the stock market," says a Tunisian businessman, "at least if the bubble bursts the money stays inside Tunisia."

Tunis stock exchange



Source: Bourse des Valeurs

INTERNATIONAL NEWS DIGEST

Car bomb shakes Kurdish city

A powerful car bomb tore through a crowded market district in the Kurdish-controlled Iraqi city of Zakho yesterday. At least 54 people were killed and up to 80 injured, according to US military officials based in Turkey. Zakho is the main border crossing-point from Turkey to Iraq and thus a lifeline for the Kurdish "safe haven" set up by western forces after the 1991 Gulf war.

Mr Latif Rashid of the Patriotic Union of Kurdistan (PUK), one of the two ruling parties in the area, said he had no doubt Iraqi President Saddam Hussein was responsible for the blast. "It is obviously in his interest. It's surprising he has not done it before," Mr Rashid said. Although there has been fighting in recent months between the PUK, led by Mr Jalal Talabani, and the Kurdistan Democratic Party of Mr Masoud Barzani, which controls the Zakho area, Mr Rashid said this had been far from Zakho in the area round the provincial capital, Arbil, and closer to the Iranian frontier. He strongly denied any suggestion the PUK might have caused the blast.

Both Kurdish parties and the administration they jointly run are accused of "wide-ranging and serious human rights abuses" since 1991 in a report published today by the London-based human rights organisation Amnesty International. The 140-page report describes torture and ill-treatment of political and other detainees, executions after summary trials and the "unlawful and deliberate killing" of unarmed prisoners captured in battle, political opponents and demonstrators. Some abuses are also blamed on Iraqi Kurdistan's third political force, the Islamic Movement. *Edward Mortimer, London*

S Africa to sell off Telkom shares

The South African government has decided in principle to sell off part of the state-owned telephone company, Telkom, to meet the growing costs of expanding and modernising the country's telecommunications network. Speaking at a media briefing in Cape Town Mr Pallo Jordan, minister of post and telecommunications, said the high costs of keeping up with international technology and services required the injection of private sector capital into the industry.

The announcement, widely welcomed in private sector circles, comes as something of a surprise as Mr Jordan had been regarded as one of the cabinet members most opposed to the policy of privatisation which the government formally adopted last year. Mr Jordan said no formal plans had yet been drawn up for such a programme, but gave the assurance that any shares put up for sale would be made available to both foreign and domestic investors. However he noted that, at least initially, the government would probably wish to maintain a majority shareholding in the company. *Mark Suzman, Cape Town*

Kenyan shilling strengthens

The Kenyan shilling strengthened against the US dollar and pound sterling yesterday at the first trading session since commercial banks were left to decide rates, traders said. Commercial banks posted the shilling at a mean rate of 44.50 against the dollar, 10 cents firmer than Friday's mid-rate at 44.60; and at a mean rate of 70.26 against the pound, compared with Friday's mid-rate of 70.86.

The CBK said on Sunday commercial banks from Monday would be free to decide daily exchange rates as part of steps to remove exchange controls. The move gave the banks the freedom to set rates according to supply and demand during inter-bank trading. Inter-bank trading accounts for most of Kenya's foreign exchange deals and currently averages about $300m (£188.6m) weekly. *Reuter, Nairobi*

Tokyo on alert to contain Barings fall-out

Stock market linked directly to real economy, writes William Dawkins

All hands in the Japanese government yesterday rushed to financial damage limitation, after the sharp fall in share prices triggered by Barings' crisis. The health of Japan's real economy is more closely linked to that of the Tokyo equity market, down 3.8 per cent to a 14-month low yesterday, than is the case in other leading industrialised countries.

Japanese banks, life insurers and industrial companies hold uniquely large equity portfolios to bolster their own capital, to fund risk investments and to provide income in thin times. But yesterday's market fall was "not the result of confidence in the Japanese economy being shaken," said Mr Kozo Igarashi, chief cabinet secretary. The share price decline was "deviating from economic reality," added Mr Tomio Tsutsumi, vice-minister – the top bureaucrat – at the Ministry of International Trade and Industry.

Private sector equity analysts, by contrast, warned that if the market fails to recover or falls further by the end of March, when most Japanese companies close their accounts, Tokyo share prices may shape economic reality rather than deviate from it.

The shares slide in Tokyo

Even before the Barings crisis, the financial year to the end of March was already proving tough for Japanese financial institutions, which unusually have lost money in all the main markets in which they invest.

Banks are the first and most important link in the chain reaction.

Their direct exposure to Barings' losses is thought to be negligible, because the bank's rogue trader was dealing directly with the Osaka and Singapore exchanges, rather than with another financial institution.

There will of course, be an indirect impact on all the members – both banking and industrial – of those stock exchanges. They may have to pay an additional share of Barings' as yet unquantified losses, if the collateral they paid to join those markets proves inadequate to cover the shortfall. There may also be pressure for a rise in such entry payments, as a result.

But for Japanese banks, the main risk is in the reduction of unrealised capital gains on their equity portfolios, caused by the decline in the stock market. According to Ms Alicia Ogawa, financial analyst at Salomon Brothers Asia, Japan's top 21 banks funded 60 per cent of their loan write-offs last year by selling shares.

Clearly, banks' ability to raise money to write off bad loans, rebuild their balance sheets and so increase lending would be retarded by a sustained stock market fall.

Shortage of liquidity is already a constraint on Japan's economic recovery, as underlined yesterday by the Bank of Japan's latest report on commercial bank lending, down 0.4 per cent at the end of December from the same month a year earlier.

Leading Japanese banks' officially reported average capital adequacy ratios, the main measure of their power to lend, stands at 9.75 per cent of risk weighted assets, comfortably above the 8 per cent minimum set by the Bank for International Settlements. Yet the Japanese BIS ratio is widely thought to be artificially high, due to Ministry of Finance lenience in allowing banks to overstate their capital. If Japan's inflated BIS ratios were to slip, the ministry would become nervous, predicts Salomon's Ms Ogawa.

Japanese companies measure unrealised stock gains twice a year, at the end of September and the end of March. They must account for equity holdings at the lower of book or market value. So banks will start to book equity losses if the Nikkei is still below its end of September level, around 17,400, on March 31. It closed yesterday at 16,809.

Industrial companies form the next link in the chain. Their bad debts are much less of a problem than for banks, so the main industrial consequence of a weak equity market is to reduce securities gains, set to be worth an estimated 4 to 5 per cent of net profits this year, according to Mr Jesper Koll, head of research at the Tokyo office of JP Morgan, the US bank.

If the Tokyo stock market sticks at this level, he forecasts that listed companies' average net corporate profits will rise by 11 or 12 per cent in the year to March, rather than the previously estimated 15 to 16 per cent.

By the same token, this puts 1994-1995 earnings on a lower base from which corporate Japan can report a recovery next year. That, of course, assumes the chain reaction stops where it did yesterday. All in the Tokyo financial markets were keeping their fingers crossed, with little assurance, that the initial panic is over.

Plan to make financial sector more competitive

Thais to aim for freer markets

By William Barnes in Bangkok

The Thai cabinet is today expected to approve an ambitious master plan for the finance industry that promises towards the end of the century a markedly freer, more vibrant and potentially more influential financial centre.

The main thrust of the plan is to encourage the financial sector to become more competitive and sophisticated – even if this means that weaker institutions must merge into their stronger rivals.

The plan promises that up to five more bank licences will be handed out to qualified finance companies early next year, but at the same time urges financial institutions to consider merging to create stronger entities.

"The plan is important because it gives all of us something to focus on – these benchmarks will make us keep moving ahead with our reforms," said Mr Tarrin Nimmanahaeminda, the finance minister.

It seeks to strengthen laws and supervisory agencies covering the industry in an attempt to forestall or ease future market upsets or collapses by financial institutions.

Mr Graham Catterwell, the country representative for stockbroker Crosby Research, said: "You would be hard pressed to find a similar set of plans in Indonesia or the Philippines. The difference is that the central bank may be the best in the region – they are good, they do think ahead."

The 21 foreign banks with offshore banking licences can compete for the five to seven full branch banking licences that will be issued in May 1996. A total of 14 foreign banks currently have full branch status. More branch licences will be issued later next year.

The number of stockbrokers will rise sharply because all the nearly three dozen sub-brokers who pass the capital adequacy tests will be allowed to become full members of the Stock Exchange of Thailand. Foreigners will still be able to hold only 49 per cent of a broker's equity. Stockbrokers will in time be allowed to expand their range of services to include factoring, fund management, foreign exchange trading, securitisation and the issue of promissory notes.

The government finally admitted that it will have to issue government bonds to help the young bond market which has been struggling to grow without a benchmark yield curve; the government does not otherwise need to borrow money, having run a budget surplus for seven years.

State enterprises and private corporations are both being encouraged to issue bonds by means such as taxation changes so that bond transactions will no longer attract repeated tax hits.

Thailand will have its own derivatives and over-the-counter markets once the necessary laws have been worked out; in the meantime securities companies and institutional investors will be allowed to try their hand in foreign futures and options markets.

Japan may resume loans to Indochina

By Michiyo Nakamoto in Tokyo

Japan is considering resuming yen loans to Cambodia and Laos in an effort to help the region's economic development, the Tokyo government said yesterday.

The possibility that Japan could resume the loans, suspended for decades due to the political conflicts in the region, was aired at an international ministerial meeting for developing Indochina which closed in Tokyo yesterday.

The meeting, hosted by Japan and attended by representatives of Australia, the UK, France, Germany, the European Commission, the Asian Development Bank and the International Monetary Fund, decided immediate action was needed to help infrastructure and human resources development and national capacity-building in the region.

Participants expressed their commitment to helping Cambodia, Laos and Vietnam in their economic development for which the promotion of trade and investment "is absolutely essential," a joint statement said.

Japan stressed its commitment to assisting Indochina in its infrastructure development, "the most important issue" for its lasting peace and prosperity.

Japan has halted yen loans to Cambodia and Laos since 1968. While political instability was a large factor, Cambodia has failed to settle outstanding repayments. Cambodia would have to repay these loans, and the two governments have started discussions on how those repayments could be made, a foreign ministry official said. Laos does not have any payment obligations it has not fulfilled.

Japan has since extended considerable humanitarian aid to Cambodia. From 1992 it resumed grant aid, which last year amounted to Y8.4bn (£54.6m).

Grant aid to Laos amounted to almost Y5bn.

ASIA-PACIFIC NEWS DIGEST

Singapore has 10.1% growth

Singapore's economy grew 10.1 per cent in 1994, the ministry of trade and industry disclosed yesterday. Growth was spearheaded by manufacturing, which rose 13 per cent against 10 per cent in 1993. Growth in financial and business services slowed last year to 9 from 13 per cent. Total trade grew 18 per cent last year to S$304bn (£132bn), with exports up 23 per cent to S$147bn. Foreign and domestic confidence in the economy remains strong: manufacturing investment commitments reached a record S$5.8bn last year, with foreign capital making up 75 per cent of the total.

After two years of double-digit growth, domestic cost pressures have started to increase, the ministry said, highlighting wage rises and a slowdown in productivity growth; signs were that Singapore's manufacturing competitiveness relative to other industrialising Asian nations deteriorated last year. A budget to be unveiled tomorrow is expected to offer small tax cuts. The ministry has revised downwards growth estimates for this year and forecast 1995 growth of 7.5-8.5 per cent. *Kieran Cooke, Singapore*

Shanghai bond futures scandal

Shanghai suspended free trading in bond futures yesterday and told investors to unwind positions in a move to limit damage from China's biggest market upset. Shanghai International Securities, the city's leading brokerage, is reeling from losses suffered when the bond futures market moved against it. Yesterday's move angered investors, who charge they have been sacrificed in the operation that has frozen China's hottest financial market. *Reuter, Shanghai*

Bond voted out of bankruptcy

Mr Alan Bond, the Australian businessman (left), was yesterday voted out of bankruptcy by creditors. But he still faces a number of charges next month relating to his 1980s corporate deals. His release from bankruptcy came after a creditors' meeting in Sydney voted to accept payments totalling A$3.25m to settle debts totalling more than A$622m (£296m). The agreement provides for creditors to receive A$1m immediately, with the balance in yearly instalments of A$750,000. The vote, which required a 75 per cent majority, was taken despite urgings from Mr Bond's bankruptcy trustee, Mr Robert Ramsay, for more time to study documents. *Bruce Jacques, Sydney*

■ Mr John Hewson, the economist whose fiscal policies led Australia's opposition to unexpected defeat at the 1993 election, quit politics yesterday, saying he could no longer make a worthwhile contribution to political life. *Reuter, Canberra*

■ Japan's household spending in December decreased 3.1 per cent in real terms from a year earlier, the government's Management and Co-ordination Agency said. In nominal terms, spending fell 2.6 per cent. *Reuter, Tokyo*

■ China posted a $2.691bn (£1.7bn) trade surplus in January, against a deficit of $833m in January 1994 and a surplus of $565m in December. *Reuter, Beijing*

■ Bangladesh GDP will grow 5.5 per cent in the year to June, Mr Khorsed Alam, central bank chief, said. *Reuter, Dhaka*

Fresh drive to end WTO deadlock

By Frances Williams in Geneva

A fresh attempt to resolve the long-standing impasse over the head of the World Trade Organisation will be made by Sir Leon Brittan, European Union trade commissioner, and his US counterpart, Mr Mickey Kantor, this week as the March 15 deadline looms.

In spite of official denials, there are increasing signs that Washington is preparing to abandon its preferred candidate, Mr Carlos Salinas de Gortari, the former Mexican president, who is seen as having no chance of winning the three-way contest.

Mr Salinas, whose campaign was dealt a serious blow by the Mexican financial crisis, is backed by only 28 of the 116 countries canvassed in the most recent round of consultations. The EU candidate, Mr Renato Ruggiero, has 57 votes and Mr Kim Chul-su of South Korea has 29.

The US administration moved at the weekend to quash the earlier suggestion by the US's WTO ambassador that all three candidates stand down in favour of someone new. After discussions with European Commission president Jacques Santer, Mr Al Gore, US vice-president, said: "We support the current process. We do not call on all the candidates to withdraw."

Mr Ron Brown, US commerce secretary, later denied US newspaper reports that Washington was looking for a graceful way to ditch Mr Salinas. "We think he's the best candidate," Mr Brown told reporters in Brussels where he and Mr Gore attended the Group of Seven information technology conference.

EU officials in Geneva said yesterday that they would be pressing for a decision ahead of March 15 when Mr Peter Sutherland, the current WTO head, is due to leave. They indicated they would oppose any move to ask him to stay on, even if that meant an interregnum.

The EU believes that, if Mr Salinas could be persuaded to withdraw, much of his support would gravitate to Mr Ruggiero, giving the former Italian trade minister the basis for an eventual consensus.

Though Washington has never evinced much enthusiasm for Mr Ruggiero, US officials have always been careful not to threaten a veto. If the EU candidate were to win the backing of most WTO members, it would be politically difficult for Washington to block his appointment, trade officials say.

● Sir Leon Brittan, the EU trade commissioner, said yesterday that he wanted the WTO post to be filled by one of the three existing candidates.

A 'maturing' marks copyright deal

US officials detect more businesslike Beijing with hopes for future, writes Tony Walker

Ms Charlene Barshefsky, the US deputy trade representative, described the copyright agreement reached between Washington and Beijing on Sunday as "historic". Ms Wu Yi, China's trade minister, said it was "very important" to Sino-US relations.

US officials involved in the "nitty gritty" negotiations of the trade deal saw in the Chinese approach glimmers of a more businesslike and less political stance than in previous disputes.

"There was a noticeable lack of rhetoric," said one official. "This may indicate a maturing of the way these trade issues and economic issues will be negotiated in the future."

Officials also noted that the talks appeared to have been relatively unaffected by China's political uncertainties connected with the failing health of senior leader, Deng Xiaoping. "They obviously had a bottom line that had been worked out at a higher level," said one.

Officials disputed an impression that China had reluctantly made concessions. "There was obviously some give and take. They just didn't fall over dead," said one senior negotiator. "In any case there was nothing there that was against their interests."

An early test of any new approach may come with the resumption of talks on China's application to join the World Trade Organisation, successor to the General Agreement on Tariffs and Trade. Beijing's attempts last year to become a founder WTO member were marked by an abrasive negotiating approach inappropriate for a multilateral forum.

China's negotiators set an end of December deadline on further concessions. This ultimatum, which had the effect of locking Beijing into an inflexible position, hardly appealed to Gatt contracting parties.

If in the copyright negotiations self interest dictated a pragmatic Chinese approach a similarly constructive stance would certainly help to overcome an impasse in the talks on WTO entry.

However, compliance with WTO entry rules would oblige China's leaders to confront a panoply of difficult political issues from liberalising agricultural markets to tariff and quota reductions, beyond those already scheduled. In these circumstances there are no easy choices.

US officials insist that there is no direct link between resolution of the copyright dispute and a resumption of negotiations on China's WTO entry, but they also acknowledge that the issue "was in the background" during the lengthy negotiations that spanned 20 months and nine negotiating sessions.

Indeed, Mr Mickey Kantor, the US trade representative said in Washington that the copyright agreement would "help create a better atmosphere" for the WTO negotiations.

China has not indicated whether it will return to Geneva for a meeting of the "working party" on its WTO entry. Beijing has been demanding that the west, and the US in particular, drop their "exorbitant demands" on accession terms.

Officials involved in the intellectual property rights negotiations believed that easily the most important factor in Beijing's decision to strike a deal was a perception that it was in China's economic interests to do so.

"The real decisions were made on an economic basis, not an ideological one," said an official. "They also understood that IPR enforcement was a necessary part of any society that wished to industrialise. IPR issues would inevitably be involved in agreements signed with other countries on high-tech issues and would therefore have to be dealt with."

US officials are hoping that the IPR agreement, with its market access provisions, will be a model for other such access disputes. But they also understand that negotiating with China will almost inevitably bring its share of frustrations. No-one expects Beijing to abandon its attachment to brinkmanship.

The EU Commission yesterday welcomed the US-China settlement on intellectual property rights as the first step to unblocking China's entry into the World Trade Organisation, Caroline Southey reports from Brussels.

A Commission spokesman said: "We welcome it because it removes the threat of a trade war and we will exploit it to open up negotiations on China's entry to the WTO."

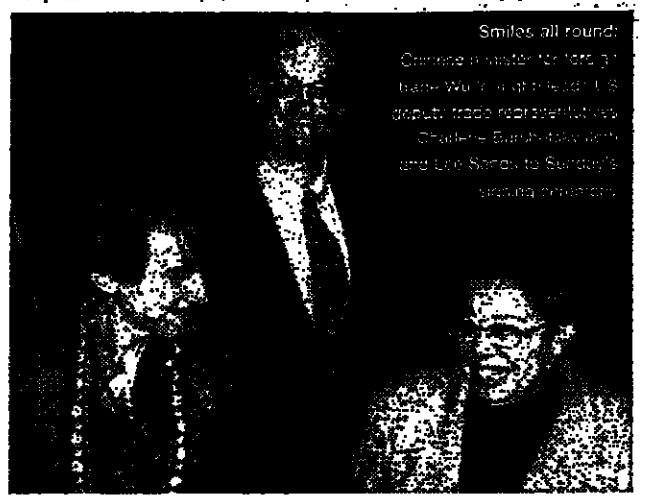
But, he said, the Commission remained concerned about whether China would implement the deal and whether it would be applied to all China's trading partners.

"Our welcome is predicated on how effective implementation will be," he said.

China gives way: the main points

China agrees to:

- Carry out over three/five years an enforcement policy on intellectual property rights
- Set up taskforces in various cities and provinces to curb infringements
- Raid factories involved in illegal manufacturing and retailers selling pirated goods
- Revoke factories' operating licences for repeated offences
- Give greater authority to customs officials to halt exports of pirated products
- Open up its markets to imports of software and audio-visual products and make its censorship policy on imports more transparent
- Invite US software and audio-visual companies to establish a commercial presence in China



Smiles all round:

Greece struggles to meet gas deadline

Kerin Hope looks at prospects for power plants as pipeline nears completion

Russian and Greek contractors will this month lay the final sections of a $2.2bn pipeline to carry natural gas from the Bulgarian border to Athens.

The completion of the pipeline, already three years behind schedule, will open the way for a number of public sector power projects – which depend on a regular supply of natural gas – to meet growth in electricity demand approaching 5 per cent a year.

The project is 60 per cent funded by European Union grants and loans from the European Investment Bank.

Political and administrative disputes in Greece have long delayed the construction of gas-fired power stations and gas distribution networks, which together are projected to absorb up to 70 per cent of the country's natural gas imports over the next decade.

Nevertheless, Mr Christos Verelis, chairman of Depa, the state gas company in charge of the pipeline project, says Greece can still meet a mid-1997 deadline on a revised "take-or-pay" agreement signed last December with Gazprom, the Russian gas supplier. Under the agreement Greece would receive 1.2bn cu m of gas yearly from 1997, rising to 2.4bn cu m a decade later.

The government says widespread use of natural gas for domestic heating and power generation will help cut pollution levels in cities and reduce the electricity industry's dependence on lignite – locally mined brown coal which is blamed for sulphurous emissions from power stations in the countryside.

The main reason behind the government's delay in awarding contracts for two new gas-fired power stations has been its determination to maintain state control over power generation.

In 1993, the then conservative government awarded a contract to build a 250MW gas-fired plant in Thrace in the north-east to Prometheus, a Greek-Russian joint venture, on a build-own-operate basis. A second 500MW plant was to be built near Thebes in central Greece, close to the main pipeline, on the same basis.

The successor socialist government has since dropped the idea of extending the gas pipeline to Thrace, in favour of building a 150MW lignite-fired plant in western Macedonia. Prometheus would carry out the Dr125bn ($50m) project on a turnkey basis.

The second plant will now be carried out as a turnkey project, and its location has been shifted from Thebes to Lavrion, south of Athens; it will be linked to the gas pipeline through a 60km extension which Prometheus would build. The Lavrion project, at first private-sector funded, will now be publicly financed by the Public Power Corporation, the state-owned utility.

"The policy change from private to public-sector investment has already caused another two-year delay," says an Athens-based energy consultant. "Even if the PPC completes tendering procedures for Lavrion in record time, it's doubtful it will be ready on time to start taking up its gas quota."

And, in another policy switch, the government has rejected as unworkable a scheme for local authorities to become majority shareholders in new companies that would control the city distribution networks. Instead, Depa will take a majority stake in three new companies, with up to 49 per cent being offered to foreign gas companies which would set up and operate the distribution networks.

This policy reversal has set back construction of city distributon networks in Thessaloniki and Larissa, both situated close to the main pipeline, and the extension of an existing network in central Athens.

Mr Verelis says: "The local authorities don't have the financial or management resources to run such a complex project. Gas distribution on this scale is new to Greece and we need inputs of technology and know-how."

However, the revised plan for operating the city distribution networks, which forms part of a new framework law for gas awaiting parliamentary approval, is strongly opposed by Defa, the Athens municipal gas company.

Defa, which supplies naphtha to 9,000 households and commercial outlets through a 500km network in central Athens, operates at a loss. But the company wants to retain control of gas distribution for the greater Athens area when natural gas becomes available later this year.

Mr Kostas Kontides, Defa's general manager, says: "We have Dr58bn in EU funds already approved for extending our network to 5,000km and supplying 300,000 customers. We don't want to be pushed aside and given just a token equity stake in a new company."

WORLD TRADE NEWS DIGEST

Caribbean group launch delayed

The launch of a 24-nation trade and economic grouping in the Caribbean Basin is being postponed because of protracted negotiations over the size of the budget, and a delay by some countries in ratifying their membership. The Association of Caribbean States (ACS) was to have been launched at the beginning of this year, but trade officials and ministers now say a delay until at least the second half of the year is now inevitable.

The prospective membership of ACS includes Colombia, Mexico and Venezuela, the central American states (except El Salvador), Cuba, the Dominican Republic and Haiti, and the members of the Caribbean Community (Caricom). With about 15 European and US dependent territories as associate members, the ACS would have a market of about 200m people, with an estimated combined gross national product of $500bn, and an annual trade volume of about $180bn, according to Caricom officials.

Only five of the prospective members have so far ratified the convention establishing the ACS. In an effort to jump-start the group, Trinidad and Tobago, where the headquarters will be located, is to set up an interim secretariat. Mr Simon Molina Duarte, a Venezuelan economist, is expected to be confirmed as the group's first secretary general. Caricom governments which have been behind the creation of the ACS are hoping that a ministerial meeting scheduled for Guatemala in May will end with a clearer timetable for the group, according to Caricom officials. Plans are already being made for the first ACS summit in Trinidad in August, which will discuss tourism, trade and transport. *Canute James in Kingston*

Jakarta satellite bid battle

Cable and Wireless of the UK and Germany's Deutsche Telekom are both in the running to buy a stake in PT Satelit Palapa Indonesia (Satelindo), an Indonesian satellite company partly owned by Indosat, the state-controlled telecoms group. The Indonesian company is conducting negotiations with both companies for the sale of a 25 per cent stake. The UK company, which is offering $550m for the holding, is thought to be the favourite.

A signing ceremony between Satelindo and Cable & Wireless was scheduled for today but was cancelled late yesterday as last-minute negotiations continued. The winner is expected to be announced next week, after the Eid festival marking the end of the holy fasting month of Ramadan. Other bidders include Nynex of the US and France Telecom, but both are considered out of the running.

Satelindo was set up two years ago and is emerging as a competitor to Indosat, which was listed in the Jakarta and New York stock exchanges last year. The two compete in handling international direct calls. Satelindo is jointly owned by Telkom, the state-owned domestic telecoms company, Indosat and Bimagraha Telekomindo, another Indonesian telecoms group. *Manuela Saragosa, Jakarta*

Contracts and ventures

■ Anheuser-Busch of the US announced yesterday that it had bought an 80 per cent stake in the Zhongde brewery in Wuhan, central China. The US company did not disclose the sum paid for the brewery, which will soon begin producing Anheuser's Budweiser brand. This is the US company's second beer venture in China. In 1993, it bought 5 per cent of Tsingtao, China's largest brewer. Anheuser-Busch plans to rank among the top two brewing groups in China by 2005. Chinese partners in the Wuhan venture include Everbright Trading, the People's Construction Bank and Wuhan Trust and Investment. *Tony Walker, Beijing*

■ Komatsu Singapore, a subsidiary of the Japanese construction equipment producer, is to set up a 60 per cent-owned joint venture, Komatsu Saigon, in Ho Chi Minh City, Vietnam. The project will initially provide product support services and make attachments such as buckets. The assembly of medium-sized hydraulic excavators is planned from 1998. *Andrew Baxter, London*

■ France Telecom said it and Bell Atlantic of the US have made a joint bid for a stake in SPT Telecom, the Czech telecoms operator. The French group said the two companies created a joint company named Telfar, in which Bell Atlantic holds a 55 per cent stake and France Telecom 45 per cent. The Czech government plans to offer up to 27 per cent of SPT capital. *AFX, Paris*

■ Fermec International, the Manchester-based producer of MF Industrial construction equipment, has agreed a strategic alliance with Hindustan Motors, under which the Indian company will manufacture the Series T backhoe loader under licence. Fermec will supply the main components in the short to medium term. *Andrew Baxter, London*

Big appetites boost farm trade

James Harding on the OECD's world forecast for agriculture

Protein-rich diets are spreading and with them the opportunities to sell both meat and feed for livestock to the emerging economies of Asia and Latin America, the engine room of agricultural trade over the next five years.

In its new report on developments in world farming of cereals, oilseeds, meat and dairy products, *the Agricultural Outlook 1995-2000*, the OECD indicates that non-OECD countries with rising populations and growing economies will boost commodities trade.

The dynamic Asian economies, for example, are likely to see increased domestic livestock production, which in turn will boost feed use. Imports of wheat and coarse grains by non-OECD countries (excluding the countries of the former Soviet Union) are projected to rise by 21 per cent and 65 per cent respectively.

Developing countries are expected to account for two-thirds of the 20 per cent increase in world production in response to burgeoning consumption of oilseeds and oilseed products.

China, a strong cereals grower, is nevertheless expected to develop as a market for cereal imports as a lack of technology and structural changes in the economy puts restraints on production.

As China's importance on world cereal markets grows, that of the countries of the former Soviet Union wanes. The OECD forecasts former Soviet Union demand in cereals and imports to remain at their current low levels.

Falling demand in this region, along with the potential for the EU and the US to return to use land that has been set aside, are given as the two factors likely to quell the inflationary pressures of increasing global demand. The annual decline in world market prices in real terms from 1990-93 is expected to range from almost nothing for wheat to about 3.5 per cent for oilseeds.

The report forecasts some significant changes in agricultural trade as a result of diminishing government intervention.

The reform of the EU's Common Agricultural Policy which is expected to have been implemented by 1995-96 is likely to result in lower exportable surpluses of grain.

The Uruguay Round agreement, which limits subsidised exports, is expected to force a reduction of surplus disposal, although the study warns that its impact over the next five years will be limited. It will, of course, do nothing to limit distortions on domestic markets. The outlook gives specific forecasts for agricultural sectors.

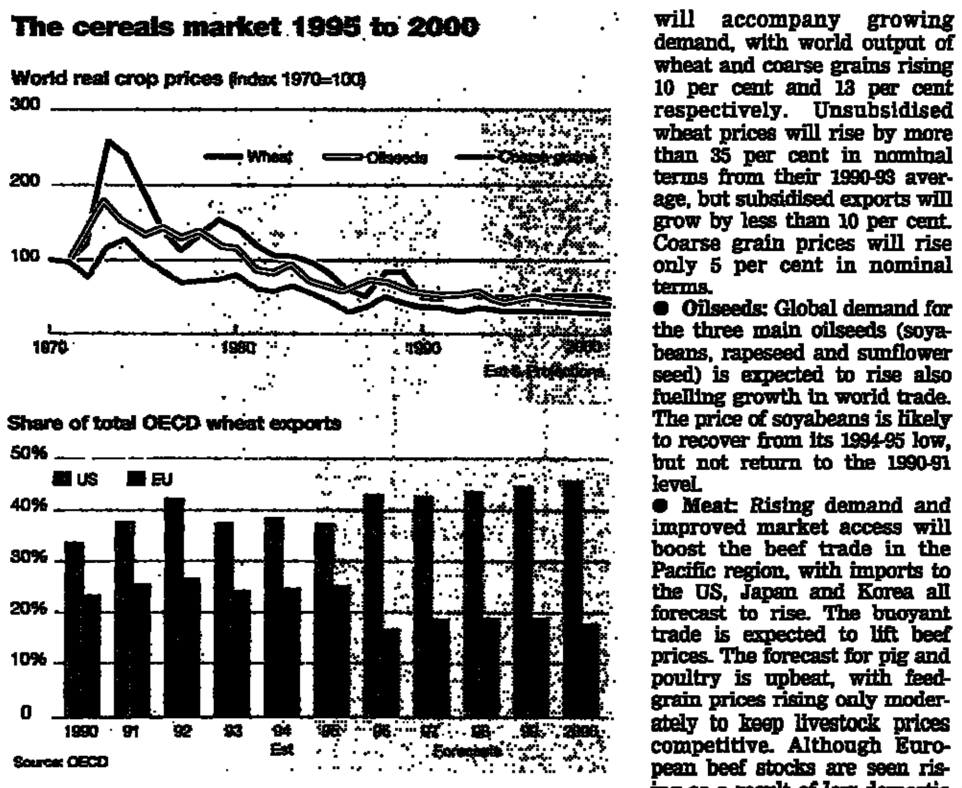
● **Cereals:** World cereal trade is expected to increase by 10 per cent between 1995 and 2000 boosted by strong import demand from non-OECD countries. Increasing production will accompany growing demand, with world output of wheat and coarse grains rising 10 per cent and 13 per cent respectively. Unsubsidised wheat prices will rise by more than 25 per cent in nominal terms from their 1990-93 average, but subsidised exports will grow by less than 10 per cent. Coarse grains prices will rise only 5 per cent in nominal terms.

● **Oilseeds:** Global demand for the three main oilseeds (soyabeans, rapeseed and sunflower seed) is expected to rise also fuelling growth in world trade. The price of soyabeans is likely to recover from its 1994-95 low, but not return to the 1990-91 level.

● **Meat:** Rising demand and improved market access will boost the beef trade in the Pacific region, with imports to the US, Japan and Korea all forecast to rise. The buoyant trade is expected to lift beef prices. The forecast for pig and poultry is upbeat, with feed-grain prices rising only moderately to keep livestock prices competitive. Although European beef stocks are seen rising as a result of low domestic demand, CAP reform is expected to encourage increased EU exports of pig and poultry.

● **Milk and Dairy:** Countries operating with quota systems will see milk production static or falling and as OECD growth in dairy production slackens, only the US, Australia and New Zealand will show rising output. The recent trends in consumption, with growing demand for cheese and fresh products, is forecast to continue. Butter production is expected to fall. World dairy prices are set to rise in nominal terms due to lower butter and skim milk powder exports.

The cereals market 1995 to 2000



Source: OECD

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.3	99.4	85.0
1987	105.6	100.7	103.9	96.7	76.2
1988	109.9	103.2	107.0	99.1	71.0
1989	115.2	108.5	110.1	101.1	74.9
1990	121.5	113.9	113.6	104.3	73.4
1991	126.6	116.3	117.3	107.8	74.2
1992	130.4	117.7	120.2	106.4	74.2
1993	134.3	119.2	123.1	107.7	76.6
1994	137.8	119.9	126.5	105.1	74.5
1st qtr.1994	2.5	0.2	3.4	−1.0	77.0
2nd qtr.1994	2.4	−0.2	2.8	−2.3	75.8
3rd qtr.1994	2.9	1.3	2.8	−3.4	73.3
4th qtr.1994	2.7	1.3	2.1	−2.7	72.0
February 1994	2.5	0.2	3.7	−0.6	77.0
March	2.5	0.2	3.7	−1.3	76.4
April	2.4	−0.4	2.8	−1.7	76.4
May	2.3	−0.4	2.8	−2.7	75.9
June	2.5	0.1	2.8	−2.6	75.1
July	2.8	0.6	2.8	−2.9	73.4
August	2.9	1.9	2.8	−3.8	73.8
September	3.0	1.5	2.7	−3.6	72.6
October	2.6	1.0	2.7	−2.2	71.2
November	2.7	1.3	1.8	−3.2	71.6
December	2.7	1.7	1.8	−2.8	73.1
January 1995	2.8	1.6			

JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	100.9	95.3	101.4	103.4	118.4
1987	101.3	92.5	103.1	100.6	122.9
1988	102.4	92.3	107.8	96.2	131.0
1989	105.1	94.2	114.0	96.1	123.5
1990	108.4	95.7	120.1	98.3	108.3
1991	111.9	95.8	124.3	101.8	114.8
1992	114.0	95.9	125.6	111.0	116.3
1993	115.4	94.3	125.8	116.9	134.0
1994	116.2	92.6	128.3		139.5
1st qtr.1994	1.4	−2.2	2.9	3.7	137.8
2nd qtr.1994	0.6	−2.1	5.0	0.0	139.9
3rd qtr.1994	−0.1	−1.7	−1.9	−1.1	140.7
4th qtr.1994	0.8	−1.1	2.5		139.9
February 1994	1.4	−2.2	1.8	5.1	139.4
March	1.3	−2.2	2.4	2.8	139.4
April	0.8	−2.2	1.9	0.9	141.2
May	0.6	−2.0	1.0	0.0	139.1
June	0.5	−1.9	9.1	−0.9	139.3
July	−0.3	−1.8	−5.2	0.8	142.4
August	−0.2	−1.7	−0.9	−3.3	139.9
September	0.2	−1.5	3.3	−0.8	140.3
October	0.8	−1.2	3.9	−3.2	139.9
November	1.1	−1.2	3.7	−4.1	140.8
December	0.5	−0.9	1.5		138.9
January 1995	0.5				

GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	103.4	103.8	107.4
1987	100.1	95.0	107.7	107.1	110.9
1988	101.4	96.2	112.3	106.9	110.0
1989	104.2	99.3	117.3	108.0	107.8
1990	107.0	101.0	123.5	110.3	110.7
1991	110.7	103.4	131.2	115.0	108.2
1992	115.1	104.9	138.0	121.5	108.7
1993	119.8	104.9	145.7	125.9	110.2
1994	123.5	105.5			108.7
1st qtr.1994	3.3	0.2	n.a.	−2.6	107.2
2nd qtr.1994	3.0	0.3	n.a.	−6.8	107.8
3rd qtr.1994	3.0	0.6	n.a.	−7.4	109.7
4th qtr.1994	2.8	1.3	n.a.		110.4
February 1994	3.4	0.2	-	−5.0	106.6
March	3.2	0.3	-	−2.5	107.5
April	3.1	0.1	2.5	−6.6	107.0
May	3.0	0.4	-	−6.2	107.8
June	3.0	0.4	-	−7.6	108.4
July	2.9	0.4		−10.8	109.7
August	3.0	0.7		−5.3	109.9
September	3.0	0.7		−6.0	109.6
October	2.8	1.0		−7.2	110.1
November	2.7	1.4		−10.0	110.4
December	2.8	1.6			110.6
January 1995	2.3	1.7			

FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	102.5	97.2	104.5	101.6	103.4
1987	105.9	97.8	107.8	103.0	104.8
1988	108.8	102.8	111.1	104.1	102.2
1989	112.6	108.4	115.4	105.2	99.8
1990	116.5	107.1	120.6	109.6	103.6
1991	120.2	105.8	125.8	113.4	102.3
1992	123.1	104.0	130.3	115.6	105.8
1993	125.6	101.1	133.7	118.1	108.5
1994	127.7	102.5	136.7		108.0
1st qtr.1994	1.7	−1.5	n.a.	0.0	107.5
2nd qtr.1994	1.7	−0.1	n.a.		107.4
3rd qtr.1994	1.6	2.0	n.a.		108.6
4th qtr.1994	1.6	5.3	n.a.		108.5
February 1994	1.8	n.a.	–	n.a.	108.9
March	1.5	n.a.	2.1	n.a.	107.9
April	1.7	n.a.	–	n.a.	108.6
May	1.7	n.a.	–	n.a.	107.4
June	1.8	n.a.	2.4	n.a.	108.2
July	1.7	n.a.	–	n.a.	108.4
August	1.7	n.a.	–	n.a.	108.7
September	1.6	n.a.	2.4	n.a.	108.8
October	1.7	n.a.	–	n.a.	109.1
November	1.6	n.a.	–	n.a.	108.4
December	1.6	n.a.		n.a.	107.9
January 1995	1.7	n.a.		n.a.	

ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.7	101.3
1987	111.0	103.2	111.6	105.5	102.0
1988	116.5	106.8	118.4	109.7	100.2
1989	124.2	113.1	125.6	112.3	103.6
1990	131.6	117.8	134.7	118.8	106.2
1991	140.3	121.7	147.9	131.2	105.5
1992	147.7	124.0	155.9	136.6	101.9
1993	153.9	128.7	161.3	139.3	87.3
1994	160.0	133.5	167.0		85.5
1st qtr.1994	4.2	3.5	4.3		85.2
2nd qtr.1994	4.0	3.1	4.1		87.4
3rd qtr.1994	3.7	3.5	3.0		85.4
4th qtr.1994	3.8	4.8	2.9		84.0
February 1994	4.2	3.6	4.3	n.a.	85.5
March	4.2	3.2	4.5	n.a.	84.9
April	4.1	3.0	4.6	n.a.	87.5
May	4.0	3.2	4.6	n.a.	87.8
June	3.7	3.0	3.0	n.a.	86.8
July	3.6	3.2	3.1	n.a.	86.1
August	3.7	3.5	3.2	n.a.	85.0
September	3.9	3.8	2.9	n.a.	85.0
October	3.8	4.3	2.9	n.a.	84.7
November	3.7	4.6	3.0	n.a.	84.0
December	4.1	5.4	3.0	n.a.	83.2
January 1995	3.9			n.a.	

UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	103.4	101.4	107.7	104.1	94.2
1987	107.7	104.9	116.3	106.6	94.6
1988	113.0	108.7	126.2	109.5	102.3
1989	121.8	113.9	137.2	114.4	101.3
1990	133.3	121.0	150.1	122.7	102.8
1991	141.2	127.5	162.4	131.3	106.6
1992	146.4	131.5	173.1	133.9	103.5
1993	148.7	136.7	180.9	134.7	95.7
1994	152.4	140.1	189.4	134.6	97.0
1st qtr.1994	2.4	3.3	4.8	1.9	98.6
2nd qtr.1994	2.6	2.2	4.4	−0.1	97.0
3rd qtr.1994	2.3	2.1	4.4	−1.5	95.9
4th qtr.1994	2.6	2.5	5.2	−0.6	96.8
February 1994	2.4	3.4	4.4	1.8	98.3
March	2.3	2.8	5.3	2.3	97.5
April	2.6	2.2	4.7	0.6	97.0
May	2.5	2.1	4.3	0.6	96.9
June	2.6	2.1	4.3	−1.5	97.2
July	2.3	1.9	4.2	−1.4	96.0
August	2.4	2.2	4.5	−1.5	95.8
September	2.2	2.3	4.6	−1.5	95.9
October	2.4	2.3	4.9	−1.7	96.9
November	2.6	2.6	4.9	−0.7	96.9
December	2.9	2.8	5.8	0.7	96.7
January 1995	3.3	3.4			

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

Letter from leading Conservative outlines 'low-key' strategy for undermining EU safeguards

Minister intends to dilute job protection

By Robert Taylor, Employment Editor

A confidential letter in the possession of the Financial Times reveals that the government is working behind the scenes with other European Union countries to dilute workers' legal safeguards covered by the EU's acquired rights directive.

The directive aims to protect workers' job conditions when a business changes hands, as well as in the contracting out of services and compulsory competitive tendering. But it has caused severe difficulties in a number of EU countries and the European Commission is looking at ways of revising it.

Mr Michael Portillo, the employment secretary, warns in his letter to Mr Douglas Hurd, the foreign secretary, that the "consensus" emerging in Brussels to revise the 1977 directive remains "fragile". Mr Portillo, sometimes seen as a contender to succeed Mr John Major as leader of the Conservative party, says the consensus could collapse if it became publicly known that Britain was playing an active role in diluting the directive.

"There is undoubtedly some suspicion of the UK's motives or of being seen to be allied to the UK, even among those countries which broadly share our objectives," says Mr Portillo. "To overcome this we have deliberately maintained a low profile in the early negotiations [over revising the acquired rights directive]."

"I believe our prospects for achieving success will be enhanced if we continue this low key approach, keeping discussion on a technical plane and aiming to present our ideas wherever possible through the EU presidency," he adds. "For the same reason I believe we must be cautious about any public statements on this issue, which will undoubtedly be reported back to the Commission and others."

Any revision of the 1977 acquired rights directive needs unanimous approval by member states. In his letter to Mr Hurd, dated November 4, Mr Portillo expresses optimism that the argument is going the Conservative government's way. "The initial discussions in Brussels have been quite encouraging," he writes. "Most member states share our view the commission's text on contracting out is too vague and leaves too much scope for interpretation by the European Court of Justice and national courts.

"The Commission has shown a surprising willingness to consider alternative approaches and no one has argued against the principle behind the exclusion [from the directive] of contracting-out of activities. Some, however, notably Belgium, Denmark and Greece, have expressed general reservations about amending the directive. In particular they are concerned about making changes which appear to reduce worker protection," Mr Portillo says.

He warns: "It remains to be seen how far they will go along with others, but we must recognise the consensus which has emerged is a fragile one and negotiations will need very careful handling, particularly as unanimity is required."

Company accepts European works deal

By Our Employment Editor

Coats Viyella, the UK textile and clothing conglomerate, has signed a European works council agreement covering its 34,000 employees across the continent, it was announced yesterday. The agreement will cover the 27,000 Coats Viyella employees in the UK.

This is the first such deal in the European textile industry and comes after nine months of negotiation between the company and the main European textile and clothing unions.

Coats Viyella is the second UK company to create a works council under a European Union directive. The first was United Biscuits, the food conglomerate, last November.

Mr Neville Bain, Coats Viyella chief executive, said it was "a sensible agreement which will be of competitive advantage to Coats Viyella". He added: "We have taken a pragmatic and appropriate decision. The company will benefit from this. It will be good for all our employees across Europe to realise they are part of one group".

The new agreement was welcomed by Mr Bill Morris, general secretary of the Transport and General Workers' Union: "It is satisfying to know UK companies with operations across Europe are taking their responsibilities towards all their employees seriously despite the government's opt-out from the social chapter", he said.

"There should be no distinction between UK workers and those in the rest of Europe," Mr Morris added. "Well co-ordinated companies like Coats Viyella should seek to ensure divisions are not created between UK and other EU employees. Companies with good industrial relations will increasingly find the UK government's position untenable and impractical".

Mr Peter Booth, the joint union co-ordinator who signed the agreement, said the TGWU was in discussion with other companies, and he expected further works council agreements in the textile and clothing sectors.

The Coats Viyella agreement will lead to a two-tier structure of consultation. There is to be a group-wide European forum with a membership of not more than 50 employee representatives. This will meet annually to be addressed by the group chief executive and its agenda will be restricted to "major strategic issues", future group plans and "an overall review of immediate past group performance".

But beneath the forum the company has agreed to create divisional committees covering all its main business lines across national frontiers. These will have between 15 and 30 representatives.

The agreement emphasises that the new structures have been "solely introduced to provide an opportunity for effective communications and improve the quality of information". It states that they "will never seek to replace or impinge upon the present bargaining and consultative procedures, mainly with trade unions."

Backbenchers pile up pressure against premier

By John Kampfner at Westminster and John Murray Brown in Belfast

Conservative Eurosceptics yesterday stepped up pressure on Mr John Major, the prime minister, ahead of tomorrow's Commons debate on Europe as Ulster Unionists reacted angrily to a suggestion that an upgrading of talks was possible with Sinn Féin, the political arm of the Irish Republican Army.

With the result of tomorrow's vote too close to call, the prime minister met party business managers to discuss tactics.

Staff in Mr Major's office refused to be drawn on the outcome of the discussions, saying he was going into the debate "with a lot of confidence". He would take the opportunity to "clear up misunderstandings" over policy towards the European Union, a spokesman said.

Mr Major depends for a majority either on the Ulster Unionists or the nine "rebel" Conservatives excluded from the parliamentary party since December if he is to defeat a Labour motion condemning the government's stand on Europe. The rebels have said they will make their final decision largely on Mr Major's speech setting out the government's case.

In a speech last night, Mr Michael Spicer, a leading Conservative Eurosceptic, suggested Britain's that right of veto in Europe was no longer sufficient to safeguard the national interest.

Introducing a manifesto by a pan-European centre-right group, Mr Spicer called for a series of amendments to the Treaty of Rome to rein in the powers of EU institutions.

The Eurosceptics welcomed a foreword to their pamphlet by Mr Major. Mr Robin Cook, Labour's shadow foreign secretary, said it showed the prime minister was "pandering to the Eurosceptics in order to save his skin in the vote".

Government and opposition whips were largely discounting the significance of a separate debate last night – approval of an annual economic report for the European Commission.

The government's needs were not enhanced by an indication from Sir Patrick Mayhew, Northern Ireland secretary, that ministers could take part in current talks with Sinn Féin in a bid to accelerate the decommissioning of IRA weapons.

Mr Ken Maginnis, the Ulster Unionists' security spokesman, said the suggestion was "totally unacceptable". The Ulster Unionists said on Friday that the framework document had in effect severed their relations with the Conservatives.

The Institute of Chartered Accountants in England and Wales, with more than 100,000 members worldwide, is combating images of the profession as aloof and expensive. It is using posters with the slogan "It's easier to sleep with a chartered accountant". Clive Parritt (left), institute commercial chairman, and Roger Lawson, president, helped put up one of the 350 posters

Nation 'lagging in aircraft projects'

By Michael Skapinker, Aerospace Correspondent

The failure of successive UK governments to commit themselves fully to the Airbus Industrie consortium could result in the aerospace sector losing £17.5bn ($27.8bn) of business by the year 2010, according to a study published yesterday.

The study, by academics from the University of the West of England, warns that the industry will face further damage if the government shows insufficient commitment to the proposed Future Large Aircraft (FLA) military transporter.

The study follows the government's announcement in December that it would buy 25 US-made Lockheed Hercules aircraft, but that it could still purchase between 40 and 50 FLA transporters. The government said it would rejoin the FLA programme at the end of its feasibility phase provided it was managed on a commercial basis.

Officials of other European governments and aerospace executives have said the UK government's lukewarm support for the FLA casts doubt on British Aerospace's future as an Airbus partner and its role as the wing-manufacturing specialist in the consortium.

Yesterday's report was commissioned by the Western Development Partnership, a public and private sector body promoting the Bristol area, where BAe's Airbus division has its headquarters.

The study says the UK will continue to pay the price for its decision to withdraw from the Airbus project in 1969 for many years. The UK was to have had 37.5 per cent of the Airbus work. When the UK rejoined Airbus in 1978, it was with only 20 per cent.

The study estimates that the resulting loss of business was £2.5bn between 1978 and 1993. It adds: "However, the much greater impact of failure to enter in 1969 will be evident during the period 1994-2010, when, based upon market share predictions, the shortfall in income is calculated to be in excess of £15bn."

Nuclear waste rules may tighten

By Our Resources Staff

The government may tighten a rule governing the shipment of nuclear waste sent for reprocessing in the UK. The move on "substitution" affects reprocessing contracts, which generally require clients to take back waste reprocessed by British Nuclear Fuels at its Sellafield plant in north-west England.

By measuring the waste it returns in terms of radioactivity rather than volume, BNFL can "substitute" a small volume of highly radioactive waste for a larger volume of lower-level waste. The advantage of substitution is that it reduces the volume of waste to be returned, thus improving the economics of reprocessing. However, it leaves BNFL with a larger amount of waste to dispose of itself.

The British government has so far kept an open mind on substitution while it considers technical reports. But ministers are believed to be increasingly opposed to the practice on environmental grounds. Although no decisions have yet been taken and officials say the subject is still "fuzzy", a conclusion is expected soon.

The question of substitution has gained relevance this month, as BNFL's big new Thorp reprocessing plant at Sellafield has recently begun full operation. Thorp, which will process large quantities of nuclear fuel for clients in Europe and Japan, will handle 7,000 tonnes of nuclear waste in its first 10 years, two-thirds of it from outside the UK.

The issue of waste has also become much more sensitive in France and Germany. A BNFL freighter left the French port of Cherbourg last week with the first consignment of waste from the La Hague reprocessing plant for customers in Japan.

Anti-nuclear campaigners in Britain and Germany have warned that their countries could become "nuclear dustbins" if large quantities of waste are stored indefinitely. The situation is exacerbated in the UK by the possible implementation of substitution and the fact that there is still no permanent store for high and intermediate level waste.

Correction

British Nuclear Fuels has not sued Mr Oren Benton, as reported in Saturday's issue of the Financial Times. The action has been taken by Nuclear Electric.

UK NEWS DIGEST

Shell and Esso get go-ahead for North Sea fields

The British government yesterday gave the go-ahead for the £500m ($791.25m) development of three new central North Sea oil and gas fields by Shell and its partner Esso, the non-US brand name used by US oil company Exxon. The companies will develop Teal, Teal South and Guillemot A, about 175km east of Aberdeen in eastern Scotland, using a tanker coverted into a floating production, storage and offtake system. It will be the biggest North Sea project to use such a system.

Such systems have proved a cost-effective way of tapping smaller fields which would be uneconomic to develop using traditional fixed platforms. In the Shell development the wells will be located on the sea bottom, and will be connected to the vessel by flexible pipelines. The combined reserves of the three fields are 90m barrels of oil and 45bn cubic feet of gas. First production is expected by the end of 1996. The government has also approved the development by Phillips Petroleum of the Dawn gas field in the southern North Sea.
Robert Corzine, Resources Staff

Japanese plants in Europe 'not immune from recessions'

The experience of Japanese manufacturers' European plants over the past few years has shattered the illusion they might be immune from recession, says a report published yesterday. The report in the latest Business Review North says a survey of Japanese manufacturers in Europe from Jetro, the Japanese External Trade Organisation, shows that more than 80 per cent of respondents were affected in 1992 by the European recession and more than half made losses at their European operations.

More than a third had dismissed employees in Europe; similar numbers had been forced to reduce production and had been unable to make further investments. In 1992, the most recent year for which Jetro has analysed financial data, 51.2 per cent of respondents reported a deficit in their European operations. This figure had risen consistently since 1989, when it was 23.7 per cent.
Chris Tighe, Newcastle upon Tyne

Labour party attacks 'greed' of directors' share options

The opposition Labour party yesterday accused directors of National Grid, the privatised electricity distributor, of "boardroom greed on a massive scale" after claiming that Mr David Jefferies, chairman, stands to gain share option profits of up to £1.8m ($2.9m).

Mr Gordon Brown, Labour's shadow chancellor, said Mr Jefferies, who will receive £359,000 in salary, pension contributions and relocation expenses this year, could boost his income to £2.1m if the Grid were floated by the 12 privatised regional electricity companies, as expected. Mr Brown said a Labour government would end the remuneration "scandal" by requiring utility regulators to question chairmen in public on profit forecasts and boardroom remuneration before setting consumer pricing regimes.

He said a Labour government would legislate for remuneration committees to be directly elected by shareholders, and end the use of tax shelters by treating executive share options as income rather than capital gains.
Kevin Brown, Political Correspondent

BBC may start international multimedia learning service

The BBC is investigating the possibility of launching an international multimedia education and learning broadcasting service. Mr Bob Phillis, deputy director-general of the BBC, said yesterday that the corporation was researching the viability of developing such a service with potential partners as part of its commitment to the future multimedia marketplace.

Mr Phillis did not say who the potential partners were, but they are almost certain to include Pearson, the media group that owns the Financial Times and has significant educational publishing interests. The BBC and Pearson have already formed an alliance to launch two satellite channels in Europe, and they have similar ambitions for the US. *Raymond Snoddy*

Airline rescue attempt fails

Last-ditch attempts to save British airline Euro Direct have failed and 160 jobs will be lost, it was announced last night. The airline, which flew from four UK airports including London Stansted, had only been operating for 10 months. It blamed high operating costs for its business failure. As well as Stansted, Euro Direct flew from Bournemouth, Exeter and Humberside airports, serving destinations which included Paris, Brussels and Amsterdam. *PA News*

Garbage disposal industry eager to reach US standards

A whirlwind of international takeovers is stimulating change, says **Haig Simonian**

The garbage industry has been changing beyond recognition in recent months after a string of takeovers. Analysts believe more will come because the top 10 companies still control only 20 per cent of the business.

Late last year Browning-Ferris Industries of the US started the latest takeover phase by paying £391m ($621.7m) for Attwoods, a sizeable waste group. That followed the £118m purchase by UK Waste, a joint venture between Wessex Water and Waste Management International, of the waste activities of NFC, the transport group. There was also a £212m takeover of Biffa by Severn Trent in May 1991. Wessex Water and Severn Trent are former state water supply authorities. The takeovers have been accelerated by new players. Lyonnaise des Eaux and Compagnie Générale des Eaux, France's two giant utilities, have been turning their gaze to the UK. Both have subsidiaries now snapping at the heels of the main operators.

However, it is UK Waste that has set the pace. Established in 1991, it has mushroomed. Sales totalled £106m in 1994 and are expected to reach about £120m in the following year. Profitability has also proved resilient in spite of price pressures. Although the joint venture does not publish its results, its performance is easy to deduce from Wessex Water's financial statements. Profits amounted to about £20m in 1994.

UK Waste's birth stemmed from a marriage of convenience. When WMI (itself a subsidiary of WMX Technologies of the US) joined forces with Wessex Water, many analysts predicted a rapid denouement, with one partner buying out the other. But although some observers wonder about WMI's ultimate intentions towards Wessex Water, in which it has agreed to buy a 20 per cent holding, the joint venture has marched on.

UK Waste has expanded on the back of the capital resources of its US parent. Apart from NFC, it has acquired for £105m the waste operations of George Wimpey, the construction group, and has made numerous smaller purchases. Mike Wynne, managing director, is confident that UK waste disposal standards are poised to change after years of virtual neglect. New legislation means landfill operators will soon become responsible for environmental damage from their sites, rather than being able to duck the problem by returning their licences if necessary.

But greater legal responsibility may not be enough, reckons Mr David Boyd, WMI's government affairs manager. A landfill operator can still avoid responsibility by not making proper provision for environmental risks. "What use is it to make an operator liable if it doesn't have the resources to take remedial action?" he says. At worst, an operator could just declare bankruptcy.

UK Waste believes Britain will have to tighten up its landfill policies under pressure from Brussels and, to a lesser extent, US practice. "The Americans are 10 years ahead of us in waste disposal," says Mr Wynne.

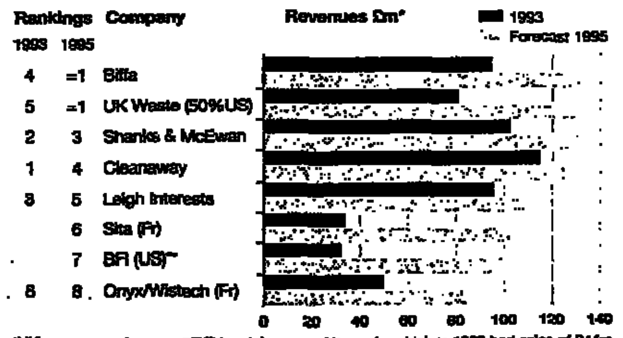
Hence UK Waste's emphasis on building new landfill sites to advanced technical standards, rather than just digging holes in the ground.

There are also elaborate measures to collect the methane gas which forms at all landfill sites. At UK Waste's latest units, the methane is used to drive generators.

The company is confident that the market will move in its direction. Some customers, such as the big US companies its parent serves domestically and multinationals in environmentally sensitive industries such as chemicals, have been willing to pay its higher prices to gain a clean environmental conscience.

"The key is enforcement," says one analyst. "If the government is serious about raising landfill standards, then things will go UK Waste's way. But lax standards will mean others always undercut it."

UK waste industry



*UK revenues only **BFI has taken over Attwoods, which in 1993 had sales of £44m
Source: NatWest Markets

TECHNOLOGY

Chemotherapy remains central to cancer treatment. Daniel Green and Clive Cookson continue a series by looking at ways to boost its performance and reduce the side-effects

IN THIS SERIES:

NOVEMBER 29
Introduction.
The growing toll of cancer worldwide. Why the disease is responding better to treatment in the young. The worldwide market for cancer drugs. Who is spending what on research.

DECEMBER 13
Causes and prevention. Smoking. Diet and food supplements. Sunshine and skin cancer. Chemicals and other environmental causes. Vaccines against cancer-causing viruses. Antibiotics to prevent stomach cancer.

JANUARY 24
Diagnosis and screening. Genetic susceptibility. Scans. Identifying cancer markers in the blood. Politics and economics of screening.

MARCH
Radiotherapy. X-rays. Gamma rays. Neutron beams. Heavy ions.
Magic bullets. Antibodies and fusion toxins aimed at cancer cells.

APRIL
Genetic treatment and other biotech approaches. Gene therapy and anti-sense. Cell migration and adhesion. Apoptosis and cell suicide. Immunostimulants. Cell growth factors. Interferons and interleukins.

Drugs that strike back

The principle of chemotherapy is simple: kill cancer cells with drugs.

It can be effective. In spite of cancer's reputation as an unstoppable killer, about half of all cancer patients receive some chemotherapy and in many cases the disease is cured.

But the practice of chemotherapy is complex and difficult. The way in which drugs work varies and is not always understood. Different kinds of cancer respond differently to treatment; some drugs are more appropriate for solid tumours while others work better in cancers of the blood or lymph system.

There are therefore many different reasons for giving drugs to cancer patients, says Jonathan Lederman, a consultant oncologist at University College London Hospital. A cure may be a clear possibility, but in more advanced cancers the treatment might be intended to reduce the symptoms of the disease to improve quality of life. And sometimes, as in breast cancer, chemotherapy increases the chances of successful surgery.

The first line of attack uses the fact that cancer cells are dividing quickly. The drugs either interfere with the enzymes vital to cell division or with linking of strands of DNA, the molecule that contains the genetic information passed on from one generation of cells to the next. The first group includes enzyme-based agents such as fluorouracil and the latter the platinum-based drugs such as cisplatin.

More recently, researchers have developed a new generation of cell-killing (cytotoxic) drugs, led by Taxol, derived from yew tree bark by US drugs company Bristol-Myers Squibb, and its synthetic version Taxotere from Rhône-Poulenc Rorer of France. These interfere with the growing cells' structure of microtubules, although currently they are used in only a narrow range of cancers, notably ovarian.

Unfortunately, cytotoxic drugs also damage growing cells in the lining of the gut and in the bone marrow, which replenishes blood cells. Side-effects therefore include vomiting and weak defences against infection caused by a lack of white blood cells.

The side-effects can be bad enough to tempt patients to abandon treatment, so their control is vital to the success of cytotoxic treatment. Jonathan Waxman, consultant oncologist at the Hammersmith Hospital in London, says that minimising side-effects has become at least as important as treating the cancer directly.

Progress here has been dramatic. Drugs to limit side-effects now work well enough to render Taxol, once renowned for its toxicity, virtually harmless, says Waxman. New drugs include the latest generation of anti-vomiting medicines: Zofran from Glaxo, the UK drug company, and Kytril from its rival SmithKline Beecham.

Then there are drugs designed to offset damage to the blood. Amgen, a Californian biotechnology company, owes its rapid growth partly to Neupogen which stimulates the production of white blood cells.

Many similar drugs are in research. Amgen is working on "stem cell factors" which patients could take before or after chemotherapy to boost the performance of cells that eventually produce both red and white blood cells.

British Biotech has a drug which appears to have the opposite effect. It stops stem cell growth during chemotherapy, to prevent damage by cytotoxic drugs.

Side-effects are less important with cancer drugs designed to manipulate hormone levels – an effective treatment in some cancers derived from hormone-sensitive tissues, notably breast and prostate.

The two best selling brands in the anti-cancer market, Nolvadex and Zoladex from Zeneca of the UK, are in this category. Nolvadex blocks oestrogen, a female sex hormone; Zoladex is a synthetic analogue of LHRH, a natural hormone which controls several biochemical pathways in the body.

Zeneca expects to receive regulatory approval this year for a third hormone-based drug, Casodex, which blocks the male sex hormone androgen. But its cancer research "has moved on to new targets, many of which will not respond to hormonal therapy". It wants to develop "direct and specific cytotoxic agents that may have utility in a number of solid tumour types".

Zeneca, like many other drug companies in the cancer area, sees the best way forward as the fine-tuning of cytotoxic agents to make them more precisely targeted to cancer cells. These "magic bullets" will be examined next month.

DG & CC

Anti-Cancer Products: 1994 sales worldwide

BRAND	GENERIC NAME	MANUFACTURER	SALES ($M)
Hormone			
Nolvadex	tamoxifen	Zeneca	560
Zoladex	goserelin	Zeneca	290
Lupron	leuprorelin	Abbott	270
Eulexin	flutamide	Schering Plough	230
Cytotoxic			
Taxol	paclitaxel	Bristol-Myers Squibb	275
Paraplatin	carboplatin	Bristol-Myers Squibb	265
Pharmorubicin	epirubicin	Pharmacia	188
Platinol	cisplatin	Bristol-Myers Squibb	155
Adriamycin	doxorubicin	Pharmacia	140
Enzyme agents			
-	S - fluorouracil	various	750
Vepesid	etoposide	Bristol-Myers Squibb	250
Leucovorin	leucovorin	American Cyanamid	135

Source: Lehman Brothers

Tackling resistance to treatment

Drug resistance is the main reason why chemotherapy fails. Most patients respond well when treatment begins but the cancer cells become increasingly resistant to the cocktail of cytotoxic drugs.

Oncologists estimate that multi-drug resistance (MDR) becomes a serious problem in 80 to 90 per cent of patients receiving chemotherapy.

"Drug resistance accounts for more than 90,000 of the 160,000 deaths from cancer each year in the UK, so learning to combat it has enormous potential for saving lives," says Adrian Harris, head of the ICRF Clinical Oncology Unit in Oxford.

MDR develops by a similar mechanism to antibiotic resistance in bacteria: genetic mutations give a selective advantage to cancer cells that can protect themselves against chemotherapy. But MDR is more complex and harder to fight than antibiotic resistance.

Whereas bacteria normally only acquire resistance to one class of antibiotic at a time, cancer cells often become resistant to all conventional chemotherapy agents. The reason appears to be that even structurally unrelated cancer drugs work in the same way, by damaging the DNA of rapidly dividing cells; antibiotics, on the other hand, attack germs in a variety of ways.

The pharmaceutical and biotechnology industries are making a large research effort to overcome MDR. According to a report by Decision Resources, a US consultancy, the potential worldwide market for MDR inhibitors is well over $1bn (£600m) a year.

Researchers are finding that some old drugs developed for other purposes – such as BASF's heart drug verapamil and Sandoz's immunosuppressant cyclosporin A – can make cancer cells more sensitive to chemotherapy.

But the main excitement surrounds new drugs designed specifically to tackle resistance. Although none of these is likely to solve the problem entirely, because several different genes and mechanisms are involved, they are giving encouraging results in early clinical trials.

The favourite drug target is a molecular "pump" which cells use to remove toxic substances, including cancer drugs; the system's main gene (MDR-1) and its product (P-glycoprotein) are known. The most advanced MDR drug in this category is PSC-833 from Sandoz of Switzerland, followed by a group of others including VX-710 from Vertex of the US and XR-1500 from Xenova of the UK.

Xenova is also developing, in collaboration with the UK Cancer Research Campaign, a drug called DACA, which was discovered at the University of Auckland, New Zealand. DACA targets two different enzymes, topoisomerases I and II, which are involved in DNA replication. Although DACA's mechanism of action is not clear, cancer cells apparently find it hard to mutate in a way that overcomes resistance to both effects at the same time.

Pharmacia of Sweden is also trying to overcoming MDR by combining more than one mechanism of action in a single drug. Karl-Olof Borg, head of oncology R&D, says: "It is still an open question whether it will ever be possible to develop drugs that will prevent any resistance emerging in the long term."

CC

The feel good factor

Alternative and complementary medical treatments have a special role in cancer.

For many cancers, including late-stage pancreas, kidney and melanoma, conventional treatment brings questionable benefits. It may only postpone death by a few months, at the cost of side-effects that can make patients' final months much less pleasant than they could be.

Some patients are, understandably, prepared to try something radical, knowing that it is unlikely to be worse than useless.

Some products hold out the hope of a cure. The vendors of Ganoderma Spore Powder, a Chinese "anti-cancer treatment" say that for legal reasons they can "make no specific claims that GSP cures cancer" but privately they claim it is "the most effective treatment available" for some cancers.

But neither GSP nor most other alternative treatments have been tested in controlled clinical trials. Many practitioners of alternative medicine make it clear they are offering something other than a treatment for the cancer itself.

"We do not claim to be able to cure malignant disease but expect to be able to offer additional symptomatic help and quality of life support," says The Royal London Homeopathic Hospital. It offers therapeutic massage and Iscador therapy, which uses a mistletoe extract said to stimulate the immune system.

Where such treatment helps the patient's psychological well-being, its importance should not be underestimated. Mainstream doctors and alternative practitioners agree that a "feel good factor" can prolong life as well as make it more enjoyable.

And the barrier between alternative and conventional treatments may not be watertight.

Scotia, a UK pharmaceutical company, has put a drug derived from evening primrose oil through clinical trials with pancreas cancer patients. It has few side-effects and the results were good enough for Scotia to promise to submit the drug for approval by medicines regulators later this year.

DG

مكبرا من الاصل

BUSINESSES FOR SALE

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The Minister of Privatisation, acting on behalf of the State Treasury of the Republic of Poland, pursuant to Article 23 of the Act on Privatisation of State-Owned Enterprises of July 13, 1990 (Journal of Laws No. 51, item 298, with subsequent amendments) invites all *interested parties to negotiate the purchase* of a package constituting at least 10% of the share capital of the Company:

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Pursuant to Resolution of the Council of Ministers No. 86 of October 4, 1993, the State Treasury will retain 5% of the shares of the Company as the property reserve of the State Treasury for the purpose of reprivatisation.

In order to record your interest and receive a copy of the Information Memorandum, please contact the BAA Sp. z.o.o. at:

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(48 2) 625 45 26
fax: (48 2) 628 58 35
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Att: Stefan Giembicki
Marcin Cieplinski

The Information Memorandum will be made available (sent) to the interested parties upon receipt of a signed confidentiality agreement.

The *potential investors should submit a tender for the purchase of the shares* within 3 weeks from the date of issue of the present advertisement, writing to the BAA's address.

The Minister of Privatisation reserves the right to deem the offer null and void and to renounce negotiations with no expressed reason.

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00-515 Warsaw ul. Zurawia 22
tel. (48 2) 621 41 67
(48 2) 625 45 26
fax: (48 2) 628 58 35
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Att: Grazyna Majcher-Magdziak
Maciej Kania

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The Occupational Health Service employed 76 staff at 31 January 1995, including 13 doctors and 31 nurses. Turnover for the 12 months to 31 March 1994 was approximately £3.6 million.

Further information about the business and the sales process will be made available to appropriate enquirers, subject to a confidentiality undertaking.

This advertisement has been approved for the purposes of Section 57 of the Financial Services Act 1986 by Price Waterhouse, who are financial advisers to the British Railways Board Vendor Unit. Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

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INTERNATIONAL PEOPLE

Nomura's Tonomura returns

■ Hitoshi Tonomura, 56, Tokyo-based head of Nomura Securities' overseas operations, is returning to London to chair Nomura's European management committee. He will act as chief executive of the European operations while retaining his current responsibilities. Koichi Kane, 50, continues as chairman of Nomura International and will work with Tonomura on Nomura's strategic direction in Europe.

■ William H Joyce, 59, president of Union Carbide Corporation, takes over as chief executive on April 26. He replaces Robert D Kennedy, 62, who had the job since 1986.

■ Daniel Melin has replaced Claude Coppin as chairman and chief executive of Spie Batignolles, the construction arm of France's Groupe Schneider. Coppin becomes honorary chairman.

■ D Keith Cobb, 53, who has spent 32 years at KPMG Peat Marwick, joins Alamo Rent A Car in May as vice chairman and chief executive. He replaces Michael S Egan, Alamo's controlling shareholder, who remains chairman.

■ Paul C Reilly, 40, succeeds Cobb as KPMG Peat Marwick's national managing partner of financial services.

■ Jan-Ake Kark, president of Ericsson's EP Consulting Group, replaces Bengt Halse as president of Ericsson Microwave Systems. Halse has been appointed president of Saab, the recently restructured Swedish defence group.

■ Michael C Hawley, executive vice president of Gillette's international group, president and chief operating officer of The Gillette Company. Robert King, group vice president of Latin American operations, replaces him.

■ Charles Goode, former chairman and chief executive of Potter Partners, deputy chairman of the Australia and New Zealand Banking Group.

■ Sir Chips Keswick, chairman of Hambros Bank, a director of Anglo American Corporation of South Africa.

■ John Conde, chairman of Broadcast Investments, a director of Broken Hill Proprietary. Joe M Evon, a former Exxon executive and head of BHP Petroleum's Australian division, president of BHP Petroleum, Europe, Russia Africa and Middle East region.

■ Gerald L Nichols, 59, who joined the Louisville & Nashville Railroad in 1959, chief operating officer of CSX Transportation.

■ Anthony Clark, 50, finance director of Eagle Star's general insurance subsidiary, chief financial officer of Farmers Group, the Los Angeles insurer. Both companies are subsidiaries of BAT.

■ Klaus Murmann, chairman of the Sauer-Sundstrand Group and the Confederation of German Employers Associations, a non-executive director of GKN.

■ Joseph Neubauer, 53, chairman and chief executive of Aramark, a director of Bell Atlantic.

■ T J Lim, 38, co-head of Merrill Lynch's global foreign exchange operations, has joined Union Bank of Switzerland in London as head of global fixed income derivatives and currency derivatives. He will report to Hans-Peter Bauer, head of UBS global derivatives in Zurich.

■ Rebecca Q Morgan, a former Californian state senator and chief executive of Joint Venture:Silicon Valley Network, a director of Pacific Gas and Electric.

■ Howard Shiplee, a director of Amec Building, project director of Hong Kong's £800m new airport terminal.

■ John McFarlane, head of Standard Chartered's investment banking operations, has taken on management responsibility for Hong Kong and China. David Moir, the executive director in Singapore, continues to be responsible for East and South East Asia.

■ Jamie White, formerly Xerox Mexicana's executive director operations, managing director of Ryder de Mexico. Rainer Sandow, former general manager of European hauliers' Lehnkering Montan Europaverkehre, managing director of Ryder Germany.

International appointments

We hope to create in these columns a comprehensive listing of senior appointments in international companies. Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Few exceptions to recovery of aid

EUROPEAN COURT

The European Court of Justice last week confirmed the European Commission's power to enforce an order requiring a member country to recover unlawful state aids from the recipients. The Court said that, save in specific, exceptional circumstances, no defence was available to a member country that failed to recover aid in breach of a Commission decision under Treaty of Rome state aid rules.

On July 7 1993, the Commission brought Italy before the ECJ under these rules for failing to order the recovery of aid unduly paid to two state-owned companies in the aluminium industry.

The aid had been granted in 1987 to two companies belonging to the EFIM Group – Aluminia and Comsal. In a May 1989 decision, the Commission found the aid was incompatible with the common market and had been given in breach of the procedural rules in the treaty.

The decision required the Italian government to abolish the aid and to recover it from the recipient companies. The Italian government was given two months in which to inform the Commission of the measures it had taken to comply with the decision.

Italy's appeal against the decision was dismissed by the ECJ on October 3 1991. Following an exchange of correspondence instigated by the Commission, the final date for compliance with the decision was set as March 31 1993.

In the absence of any reaction, the Commission brought the present proceedings on the basis that Italy's non-compliance with the decision five and a half years after the unlawful aid was disbursed constituted an infringement of the treaty state aid rules.

Italy did not contest its obligations to comply with the decision. It merely claimed that certain difficulties had hampered implementation of the decision in the context of the winding-up of the state-owned EFIM group.

Italy argued that, since the decision had to be implemented in the context of genuine co-operation with the Commission, account should be taken of the restructuring of the aluminium industry which had been notified to the Commission for authorisation under the state aid rules.

The ECJ granted the Commission a declaration that Italy had breached the treaty state aid rules in the terms requested on the following grounds.

First, it said the decision set out in unequivocal terms the obligation to order recovery of the aid. Second, it confirmed that a member country may not rely on laws or practices in its own legal system to justify non-compliance with Community law. Third, the ECJ held, in accordance with previous cases, that the only defence available to a member country was that it was impossible for it to implement the decision properly.

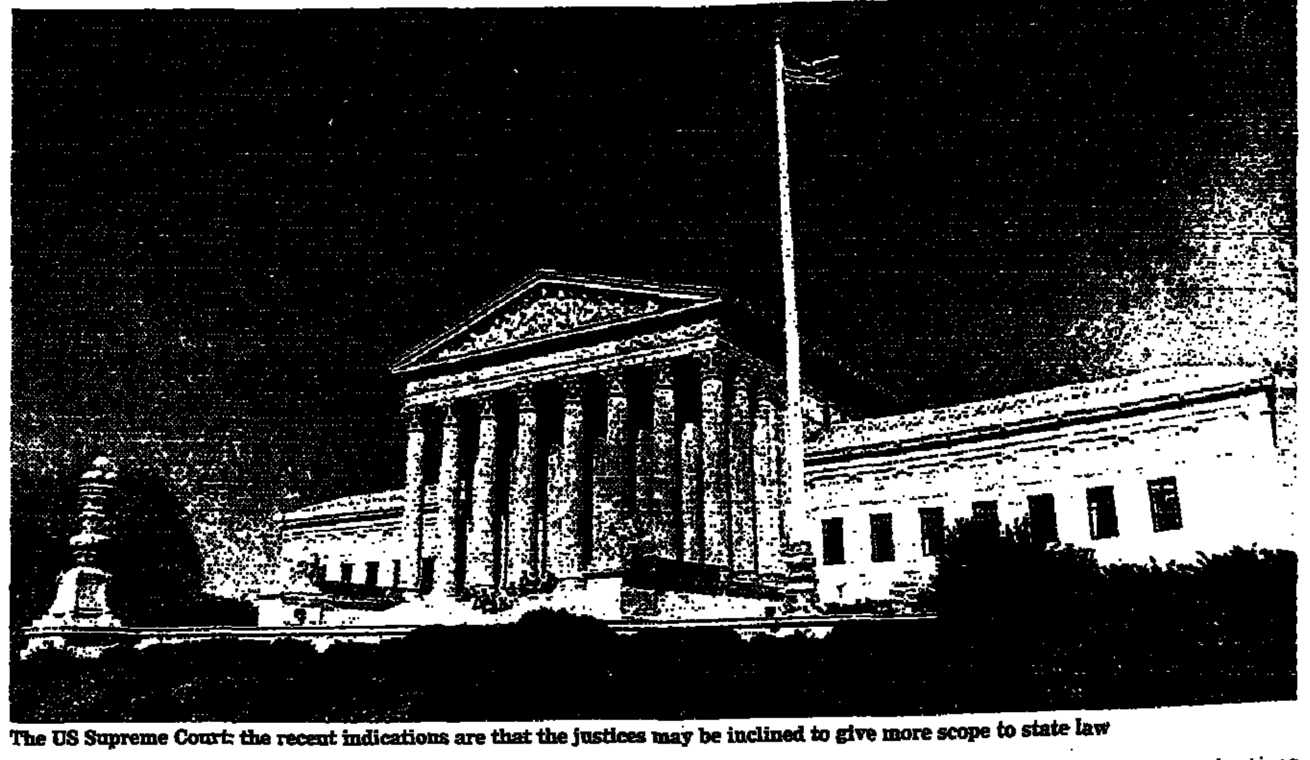
However, the Court added that, if there are unforeseen and unforeseeable difficulties, or consequences overlooked by the Commission, the member country and the Commission must work together in good faith to overcome the difficulties without infringing Community law. In such circumstances, the treaty imposed on the member country and the Community institutions a duty of genuine co-operation.

In the present case, the Court held that Italy fulfilled none of the exceptions. It merely informed the Commission of the legal and practical difficulties involved in implementing the decision without taking concrete steps to recover aid from the recipients or proposing to the Commission alternatives which could overcome the difficulties.

The general reference to the EFIM winding-up and the notification of new aid to the aluminium industry as part of its restructuring programme was insufficient.

C-349/93, Commission v Italy, ECJ 6CH, February 23 1995.

BRICK COURT CHAMBERS, BRUSSELS



The US Supreme Court: the recent indications are that the justices may be inclined to give more scope to state law

An exercise in damage limitation

Robert Rice on a crucial case before the US Supreme Court on attempts to curb punitive awards

Attempts by the US business lobby in recent years to persuade national and state legislatures to curb large awards of punitive damages have met with only limited success. Some states, such as Virginia, have introduced caps on punitive damages awards.

But efforts to curb levels of punitives through the courts have been less successful. The US Supreme Court has considered five challenges to punitives in six years and has yet to set a constitutional limit on the size of awards.

Now the Plaintiff Bar is fighting back by attempting to extend the award of punitives to arbitrations, an area of dispute resolution generally thought by businesses to be immune from such damages.

Companies which do business in the US are watching a Supreme Court challenge by Antonio Mastrobuono, a Chicago college professor, and his wife, Diana, who are asking the justices to uphold an award of punitive damages by an arbitrator on a contract governed by New York law, which forbids arbitrators from awarding punitive damages.

The origins of the dispute stretch back to 1985, when the *Mastrobuonos entered into a* securities contract with the now defunct Shearson Lehman Hutton. The Mastrobuonos signed Shearson's standard client agreement. This bound them to arbitration in the case of any dispute and contained a choice of law clause to the effect that the contract, wherever made, was governed by New York law.

In 1987, after suffering heavy losses, the Mastrobuonos closed their account. They alleged misconduct by Shearson, including unauthorised trading and the making of unjustifiable trades to obtain commission. In January 1989 they sued for damages in the Illinois District Court.

The defendants invoked the arbitration clause, opting for arbitration by the National Association of Securities Dealers. The arbitrators awarded the Mastrobuonos $159,327 in compensatory damages and $400,000 in punitive damages.

Shearson paid the compensatory damages but petitioned the district court for the award of punitive damages to be overturned. The firm argued the agreement was governed by New York law which prohibits *arbitrators from awarding* punitives. The district court agreed and set aside the punitives award. That decision was upheld by the Seventh Circuit Court of Appeals, and the Mastrobuonos petitioned the US Supreme Court.

The Mastrobuonos main argument was that the Federal Arbitration Act, a 1982 law which governs the enforcement of arbitration agreements, pre-empts a 1976 New York state court ruling which prohibits arbitrators from awarding punitive damages. They further argued the Seventh Circuit's decision – that the law of a state named in a choice of law clause, rather than the Federal Arbitration Act (which allows the award of punitive damages by arbitrators), determines whether an arbitrator has the authority to award punitives – conflicted with decisions on the issue by the First, Eighth, Ninth and Eleventh Circuits.

If the Seventh Circuit decision was allowed to stand, with a similar decision by the Sec*ond Circuit, geographic fortu*ity rather than a consistently applied rule of law would determine the remedies available to plaintiffs in arbitrations in the US, they said.

Lawyers believe a Mastrobuono victory would disappoint US business but not be disastrous

They also disputed the Seventh Circuit's conclusion that, by entering into an agreement containing both a comprehensive arbitration clause and a New York choice of law clause, they had waived any right to recover punitive damages.

If the Supreme Court ruled they could not recover punitives in arbitration then, they argued, they should be entitled to bring a separate action for punitives in the district court.

In reply, Lehman Brothers, as the successor corporation to Shearson Lehman Hutton, argued the Mastrobuonos had misread the Seventh Circuit ruling. They maintained the Seventh Circuit Court was right in ruling that the agreement to arbitrate excluded punitive damages because the *parties had "expressly adopted* New York law".

The court's deference to what it saw as the clear meaning of the contract was consistent with the principle stated by the US Supreme Court in the 1989 case of Volt Info Sciences v Stanford University. That was that the policy of the FAA "is simply to ensure the enforceability, according to their terms, of private agreements to arbitrate".

Indeed, Lehmans argued, it was simply wrong to read the Seventh Circuit's decision as reflecting a predisposition to give state law, which is hostile to arbitration, priority over federal legislation.

Lehmans said the differing decisions of the various circuits on this issue were simply the result of different interpretations being placed on different agreements by different courts. Since even minor variations in language will influence the interpretation of an agreement, no universal rule as to the effect of choice of law clauses was possible.

Furthermore, after the Supreme Court's decision in Volt, it was beyond dispute that the parties to an agreement were free to decide for themselves what powers, procedures and substantive laws would govern the arbitration of their disputes.

The Mastrobuonos second argument – that alternatively they should be entitled to a trial in the district court to set punitive damages – had no merit Lehmans said.

The Seventh Circuit Court had correctly ruled that, under the arbitration agreement itself, the Mastrobuonos were entitled only to the damages available in arbitration. Also, the district court had already ruled there was no separate cause of action for punitive damages under New York or Illinois law.

To allow the Mastrobuonos a second substantive hearing in the district court to resolve their claim for punitives would, Lehmans said, defeat *the purpose of arbitration – to* accomplish expeditious and efficient resolution of disputes.

The Supreme Court heard oral argument on the Mastrobuonos petition on January 10 and, according to the US National Law Journal, rather than focusing on the issue of whether the Federal Arbitration Act pre-empts state law, the justices focused many of their questions on possible ambiguities in the Mastrobuonos' contract.

Three of the justices appeared to suggest ambiguities in the contract should be interpreted in the Mastrobuonos favour, the Journal said. On several occasions Justice Ruth Bader Ginsburg raised the possibility that the parties intended that New York substantive law (under which punitive damages are generally available) as opposed to New York case law should govern the contract. Lehmans maintained the New York law concerned was substantive law.

Lawyers believe victory for the Mastrobuonos would be a disappointment for US business but not a disaster. Mr Gary Born, a partner of the US law firm Wilmer Cutler & Pickering, says that, if the justices decide state law cannot exclude the award of punitives in arbitrations, most companies would still rather have the level of punitive damages set by a panel of arbitrators than by a lay jury.

"Most commercial concerns do not like punitives, whoever awards them. But the prospect of having a sober-minded panel of commercially experienced arbitrators deciding is less unattractive than punitives being set by a lay jury who may be influenced by rhetoric," he says.

Victory for Lehmans, on the other hand, would provide a significant boost for arbitration of commercial disputes in the US. Mr Born says any European company doing business in the US would be well advised, if Lehmans win, to specify arbitration for the resolution of disputes in its standard form contracts. "It will give them an extra layer of protection from capricious jury awards," he says.

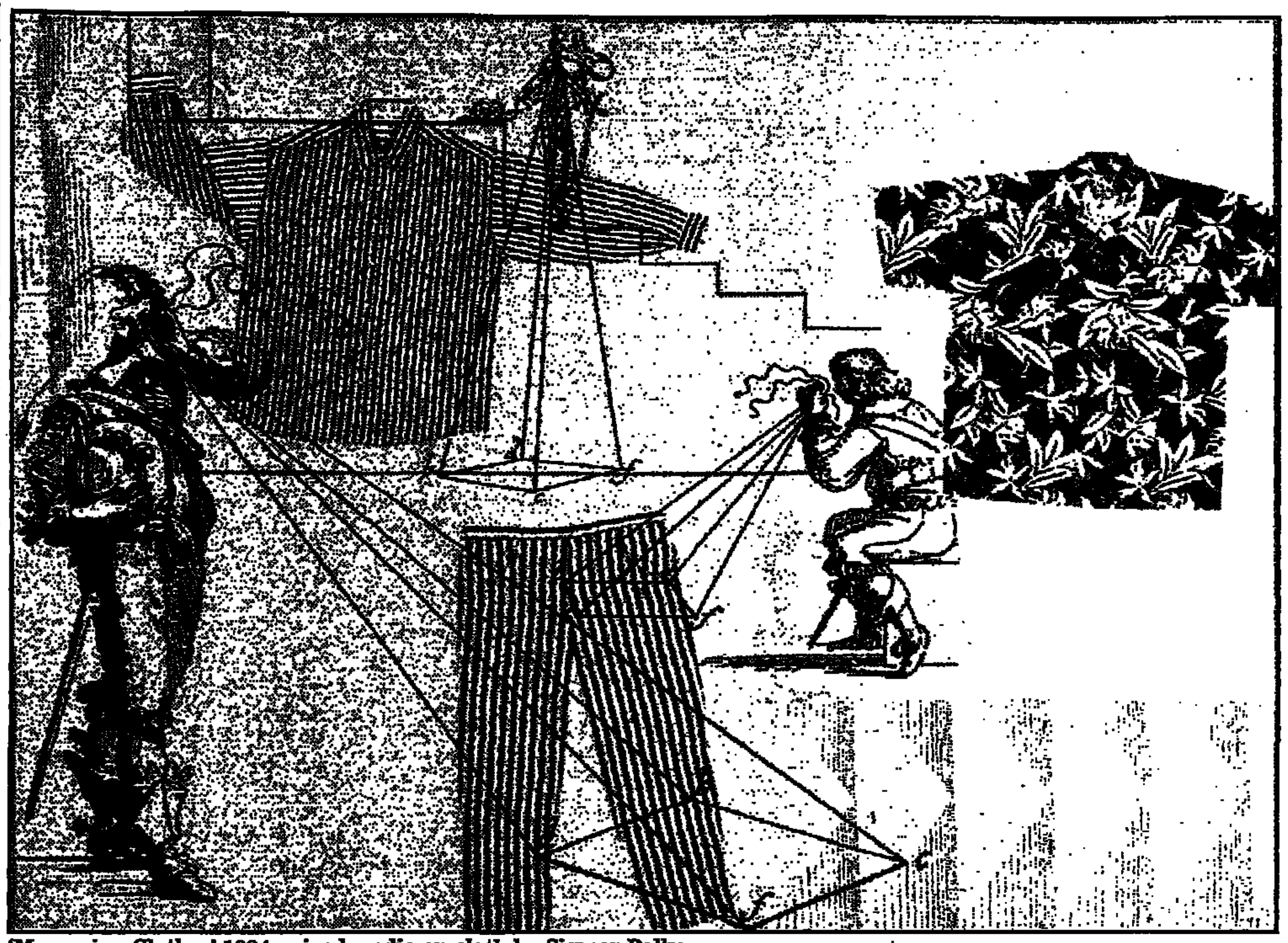
Predicting how the justices will decide is not easy but, according to Mr Born, a month ago in another case five justices queried the proposition that the Federal Arbitration Act pre-empts state law. Although they did not rule on the point it suggests the court may be inclined to give more scope to state law.

There is also a natural scepticism about punitives. "If I had to bet, I would say state law restrictions on the award of punitives in arbitrations will be upheld – which would be good news for business."

The only possible "dark lining in this silver cloud", he adds, would be if the court decided state law could be *invoked to limit the award of* punitives in arbitrations but the petitioners were allowed to take the issue of punitives to trial in the district court in front of a lay jury.

The prospect of parallel proceedings in such cases at the end of which there was still the chance of a capricious jury award of punitive damages would be the worst of all worlds, he says. Business should know the answer by July.

ARTS



'Measuring Clothes' 1994, mixed media on cloth by Sigmar Polke

A real talent for ugliness

William Packer on the work and reputation of Sigmar Polke

Sigmar Polke is now 54, an artist born in Silesia, in what is now Poland, who has lived in West Germany since he was a boy. He came to prominence while still a student at the Dusseldorf Kunstakademie in the 1960s, one of a group of young and radical artists along with Joseph Beuys, Gerhard Richter and Blinky Palermo. He has continued to enjoy a remarkable critical and professional success; professor here, professor there, and winner of prize after prize, from Sao Paolo in 1975 and the Golden Lion at Venice in 1986 to the Erasmus Prize at Amsterdam last year. He can do, so it would seem, no wrong.

Indeed, Nicholas Serota and Lewis Biggs of the Tate, in their catalogue preface to this first major survey of Polke's work in this country, tell us that he is "widely acknowledged as one of the most significant artists working today." Other authorities variously describe the artist and his work in the catalogue with words such as challenged; investigated; cultivated contradictions; subversive; doubt; resistance; unintelligibility; communicate; enigmatical; perverse.

The point is that all these qualifying and tendentious descriptives are abstract, even moral in the qualities to which they refer, the inference being that only by questioning, challenging, subverting, is an artist now to be properly significant and *engagé*. And what is to be the object of such attitudinising? What does Polke actually do?

He uses commercial printed fabrics instead of canvas, which radical departure gives him, we are told, a freedom to explore the very nature of painting itself, rendering obsolete the "idea of a blank surface awaiting the autograph mark". It brings the support itself out of the studio into the everyday world, good old canvas being, I suppose, so exotic. And of course to render anything obsolete, in this rarified critical atmosphere, is an obvious and absolute good.

Among the several examples we are offered of this aspect of his genius are some 16 tea-towels sewn and stretched together, a woman crudely drawn *profile perdue* upon a piece of mock leopard-skin, and a profile head achieved by simply joining up the dots of a particular print. Thus "beneath the penetrating humour" is the history and practice of painting challenged and rewritten.

Nowhere do we hear of what Polke's work actually is in terms of painting and drawing – which is just as well, given that his every direct intervention with the brush and paint betrays both gross ineptitude and acute insensitivity. Such "apparent ham-fistedness", Sean Rainbird argues in the catalogue, "(admits) the individual spirit in the hand-made." Oh: heads he wins, tails we lose. It takes a real talent, certainly, to make such ugly things.

Polke himself seems tacitly to admit his limitations, for whenever a particular and effective graphic image is required, he resorts to the mechanical aids of screen-print or photographic projection to mask his technical nakedness. By such devices, so runs his apologist's excuse, he "appears now to delegate ever more processes in his painting, while remaining in ultimate control." He plunders art history and technical illustration for his motifs, which he sets against "increasingly unstructured grounds on which he has limited the autograph mark by allowing the liquids he applies to find their own final shape."

The hard fact, put at its kindest, is that when it comes to painting or drawing, he cannot do it very well. Polke "possibly [I like the possibly] the most significant artist in the latter part of this century" has been very lucky in his apologists. Or unlucky, perhaps, for it was not the Emperor himself but his courtiers who were the real fools in the story. Does such a gap between pretension and reality really matter? Probably not – I like the probably.

Sigmar Polke: Join the Dots; the Tate Gallery, Albert Dock, Liverpool, until April 17.

Music in London/**David Murray**

Tippett's 'The Mask of Time'

Sir Michael Tippett's 90th-birthday celebrations wound up majestically on Sunday with *The Mask of Time*, his super- or meta-oratorio from 1984. Sir Colin Davis, who had conducted the premiere, directed the London Symphony and their Chorus with tireless flair and every sign of conviction. There was a fervent quartet of soloists – Faye Robinson, Maria Popescu, Thomas Randle and Stephen Richardson – and at the end a standing ovation of great warmth, amid general bemusement.

That was because *The Mask of Time*, grandiose and heaven-storming, is also one of Tippett's most wilfully scatty works. It draws holus-bolus on Shelley, Yeats and echoes of Eliot (treading a careful line so as not to run into copyright problems), Mary Renault and Sir David Attenborough, Akhmatova and the *I Ching*. Amongst many other disparate and unexpected things, it includes a little scene in the garden of Eden with a pet dragon (mezzo-soprano), instantly reminiscent of Thornton Wilder's *The Skin of Our Teeth*. There seems to be Time for practically anything.

In short, it is one of Tippett's grand farragoes, and we hardly know what to make of it. It is impressive, of course. There are beautiful and striking passages, some astonishing orchestration and much rousing choral music, in which the London Symphony Chorus outdid themselves. For the past 40 years or so, Tippett has regularly produced something that prompted the immediate reaction, "This time he really has gone too far!" – and yet, sooner or later, we have found ourselves digesting it.

On Thursday Sir Colin made an utterly cogent success of Tippett's Fourth Symphony, which was greeted in many quarters in 1977 (just after his controversial opera *The Ice Break*) as another of those impossible, recklessly choppy works. This time, even the heavy breathing – pre-recorded or (now) synthesised, at the start, the blackest climax and the very end – seemed to make perfect dramatic sense. (Tippett wanted to set the whole symphony in a birth-to-death frame.) Beyond that, the sumptuous paragraphs for distinct sections of the orchestra unrolled with lucid eloquence, and an untroubled certainty about everything coming right at the end: which it did.

That same concert included two aptly chosen pieces by composers not so very much older than Tippett, Sibelius's Symphony no. 7 and Stravinsky's lean, gutty Violin Concerto. The Sibelius was a little less stirring than Davis has made it on other occasions; probably the Tippett Fourth had the lion's share of rehearsal-time. The Stravinsky, however, with the young ex-prodigy Midori as soloist, got a brave and winning performance. Her double- and triple-stopped chords were flawless – great, gleaming slashes – and her grip on the entire piece absolutely firm; it was a bracing pleasure to hear.

★

Brief notes on two other concerts, by the South Bank's resident Alban Berg Quartet and by the young soprano Galina Gorchakova at the Wigmore Hall. The Alban Bergers played late Haydn and Beethoven with all their customary precision and judiciousness; worthy, and quite unexciting until Beethoven's "Grosse Fuge" in the magnificent op. 130 quartet, where at last they conveyed some sense of urgency and struggle. But they were ridiculous in Schoenberg's late, fiercely strenuous Trio: it sounded like a placid exercise, quite inert – a study-performance. I wish these admirable, sensible players would go away and get into some interesting trouble somewhere.

Miss Gorchakova repeated, more or less, her Edinburgh Festival recital. Fine, enterprising programme (Glinka, Dargomyzhsky and the young Balakirev were all gracefully on show, along with some unfamiliar Tchaikovsky and Rakhmaninov); but almost anything would have served to display her remarkable gifts. The dramatic range, sensitivity and subtle power of her singing were breathtaking, even when scaled down prudently for the Wigmore. One will be grateful to hear this artist in practically anything she feels like singing.

Theatre/**Alastair Macaulay**

Miller's 'Broken Glass'

That Arthur Miller is the most overrated playwright of our time is confirmed by a second viewing of *Broken Glass*. This is the 1994 play whose National Theatre production last year, as directed by David Thacker, now transfers for a limited 10-week West End season at the Duke of York's Theatre. As usual, Miller is saying Important Things. *Broken Glass* is about the ruinous repression of Semite anti-Semitism, a repression which damages others as well as the self.

Philip Gellburg, an East Coast American, alternates between active guilt about being a Jew and awkward pride in achieving status as a token Jew in a WASP society. Meanwhile he has forced his bread-winner dominant-male image so far that he has stopped his wife Sylvia from pursuing a career, and then has felt so much guilt about *that* that he has been rendered impotent for these 20 years. Now at last – the play is set in 1938 – Sylvia has brought matters to a crisis by losing the use of her legs as a psychomatic reaction to Kristallnacht. The play covers the period in which Dr Harry Hyman tries to treat her and to reveal the cause of her affliction.

You can see (you can't miss) how earnestly Miller places himself at the end of the line of tragedians, stretching back via Ibsen to Sophocles, who tackle Aristotelian issues of recognition and reversal on a psychological level. You have to acknowledge, too, that he knows how to leaven his play with some cute jokes. But Miller's dreadful heaviness of spirit turns his psychodrama into blunderbuss melodrama. His dramatis personae are not characters but sociological diagrams. Worse, the ideas in his play loom like doodle-bugs in the air, obvious to all of us for ages before anyone onstage names them. Worst, when people do put them into words, the ideas becomes utterly banal.

Philip: "So what is the solution?" Doctor: "To forgive yourself, I guess. And the Jews." This kind of talk is as subtle as *Broken Glass* gets. It is shocking to find that people have been mistaking this serious-minded junk for serious drama. Whereas playwrights like Chekhov, Beckett, Pinter can write scenes or plays in which nothing happens but whose meanings unfold so as to make them taut and brisk and open-spirited, Miller's play plods crudely, monolithically, down its fixed path even while events are changing the lives of the people onstage .

Technically, the play's most interesting feature is its construction as melodrama of another kind. A cellist (Andrea Hess or Jane Salmon) plays earnest, expressionist music (by Gary Yershon) before and between each scene. The music does more than fill in while stage furniture is moved around before our eyes, it functions like the interludes in the operas of Wagner or Debussy in developing the psychological atmosphere and tension of the action. And Thacker and his designer, Shelagh Keenan, heighten this atmosphere and tension in physical terms by creating three spaces behind and beside the action, spaces we can see through solid sheets of glass, spaces in which we keep watching characters who are in our minds even while they are out of whichever scene is being played at the moment.

It is still not a good evening for American accents. The performances of Henry Goodman (as Philip), Margot Leicester (Sylvia) and Ken Stott (Dr Hyman) have gained in intensity since last August. But Leicester, for all the charming detail with which she creates an absorbing nervous system onstage, is still miscast; she has neither the beauty nor the vigour that are attributed to Sylvia. And Goodman's performance is as unyielding, narrow and ponderous as the play.

At the Duke of York's Theatre, for 10 weeks only.

Alastair Muir

Serious-minded junk: Ken Stott and Margot Leicester

Opera/**John Allison**

The Woodlanders

One can hardly blame the *enterprising* Oxford University Opera for taking up Stephen Paulus's *The Woodlanders*, and giving last week at the Oxford Playhouse the opera's first performance outside the composer's native US. On paper he deserves to be taken seriously: his close association with the Opera Theatre of Saint Louis would seem to recommend him.

This summer, Paulus's fifth opera (*The Woman at Otowi Crossing*) will be unveiled in Saint Louis; *The Woodlanders*, his third, was premiered there ten years ago. On the evidence of this Thomas Hardy-based opera, it is not difficult to see why Paulus's work has travelled little (*The Postman Always Rings Twice* is his only opera to have been seen in this country, at the Edinburgh Festival in 1983).

Paulus's resolutely tonal score is rich in grateful vocal lines; it is carefully structured, "well made". But most of the piece is in a rhythmically-inert, meandering moderato, as unrequited as the relationships in Hardy's novel; at Oxford, not even Sarah Ionnides's accomplished, sympathetic conducting could redeem it, and the result was an interminably long three hours.

Even at such length, the opera skates over the surface of Hardy's plot. *The libretto – surprisingly*, from such an experienced opera hand as Colin Graham – presents little more than Hardy's chain of relationships, with most of the characters inhabiting a one-dimensional emotional plain. There are no less than 19 roles, several small enough to have been cut, that clutter the action and leave little room to develop the undoubted operatic potential of others – George Melbury and his daughter Grace, for instance.

Alison Brown's straightforward production and David Palser's woodland setting (but not his costumes, in Dorchester-Oxfam style that hardly defined social status) brought clarity wherever possible. The cast, a mixture of young professionals and students, projected their words admirably. Notable among them were the baritone Meurig Davies as the doomed Giles Winterbourne, the smooth-toned mezzo Kathryn Hide as tragic Marty South, and Iwona Januszajtis, alert and characterful as the housekeeper Grammer Oliver. Elizabeth Rodger, suffering from a virus, had to walk the part of Grace while Jane Webster sang strongly from the pit – a loss, as the role is perhaps the most fully drawn in the opera.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: with pianist Radu Lupu and conductor Carlo Maria Giulini plays Mozart and Brahms; 8.15pm; Mar 1, 2

■ BARCELONA

GALLERIES
Fundacio Joan Miro Tel: (93) 329 1908
● Julian Schnabel: works by the American artist including 30 large format paintings and four monumental sculptures displayed outside the building; to May 14

■ BERLIN

GALLERIES
Deutsches Historische Tel: (030) 215 020
● Art from the GDR 1949-1990: exhibition that looks at politically commissioned art in the old German Democratic Republic; to Apr 18

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Faust: by Gounod. Conducted by Lawrence Foster/Heinrich Hollreiser/Jiři Kout, production by Jean-Pierre Ponnelle; 7pm; Mar 5
● *Les Intermittences du Coeur*: ballet in two parts by Saint-Saëns. Choreographer, Roland Petit; 7.30pm; Mar 2
● Tosca: by Puccini. Conducted by Johan M. Arnell/Stefan Soltesz, produced by Boleslaw Barlog; 7pm; Mar 3

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Brahms Evening: Sir Simon Rattle conducts the City of Birmingham Symphony Orchestra with violinist Maxim Vengerov; 7.30pm; Mar 4
● Britain at its Best: Yehudi Menuhin conducts the Royal Philharmonic Orchestra to play Elgar, Britten and Vaughan Williams; 7.30pm; Mar 3
● Pierre Boulez 70th Birthday Celebration: Boulez conducts the London Symphony Orchestra with violinist Kyung-Wha-Chung to play Ravel, Bartók and his own 'Figures, Doubles, Prismes'; 7.30pm; Mar 2
Festival Hall Tel: (0171) 928 8800
● City of Birmingham Symphony Orchestra: with sopranos Faye Robinson and Cynthia Clarey and tenor Philip Langridge. Sir Simon Rattle conducts Pavel Haas, Schoenberg and Tippett; 7.30pm; Mar 3
● The London Philharmonic: Franz Welser-Möst conducts Mozart, Bartók and Tchaikovsky; 7.30pm; Mar 2
● The London Philharmonic: Franz Welser Möst conducts Shostakovich and Strauss; 7.30pm; Mar 5
Westminster Abbey Tel: (0181) 928 8800
GALLERIES
Festival Hall Tel: (0171) 928 8800
● *After Auschwitz: exhibition of* paintings, sculpture and photography produced by 21 contemporary artists in response to the Holocaust; to Apr 17
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Feb 28; Mar 3
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a Mafia boss; 7.30pm; Mar 1
● The Cunning Little Vixen: by Leoš Janáček. Original director, David Pountney; 7.30pm; Mar 2, 4
Royal Opera House Tel: (0171) 340 4000
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 6.30pm; Mar 1, 3
● La Bohème: by Puccini. Conducted by Simone Young/Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/Amanda Thane as Mimi and Maria McLaughlin/Judith Howarth as Musetta; 7.30pm; Feb 28; Mar 2, 4, 6
THEATRE
Aldwych Tel: (0171) 836 6404
● Indian Ink: by Tom Stoppard. With Felicity Kendal, Margaret Tyzack and Art Malik; (Not Sun)
Barbican Theatre Tel: (0171) 638 8891
● The Venetian Twins: by Carlo Goldoni in a new version by Ranjit Bolt, and directed by Michael Bogdanov; 7.15pm; Mar 6
National, Lyttelton Tel: (0171) 928 2252
● *What the Butler Saw*: by Joe Orton. Directed by Phyllida Lloyd, with John Alderton as Dr Prentice, and Richard Wilson as Dr Rance; 7.30pm; Mar 2 (7pm), 3, 4 (2.15pm)

■ MADRID

GALLERIES
Prado Tel: (91) 420 2836
● Sebastiano Del Piombo: Venetian born artist of the Italian Renaissance. This exhibition explores his influence on Spanish painting during the 16th and 17th centuries; from Mar 1 to Apr 30

■ NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030
● New York Philharmonic: with baritone Dmitri Hvorostovsky and conductor Valery Gergiev plays an all Russian programme of Mussorgsky and Rimsky-Korsakov; 8pm; Mar 2, 3, 4
Carnegie Hall
● Vienna Philharmonic Orchestra: Sir Georg Solti conducts Wagner, Strauss and Beethoven. The first of three appearances in New York by the Vienna Philharmonic; 8pm; Mar 3
● Vienna Philharmonic Orchestra: Sir Georg Solti conducts Stravinsky and Tchaikovsky; 8pm; Mar 4
● Vienna Philharmonic Orchestra: Sir George Solti conducts Beethoven and Stravinsky; 8pm; Mar 5 (2pm)
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Der Rosenkavalier: by Strauss. Produced by Nathaniel Merrill, conducted by James Levine; 7.30pm; Mar 1, 4 (1.30pm)
● La Bohème: by Puccini. Produced by Franco Zeffirelli, conduted by John Fiore; 8pm; Mar 4
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 2
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco.; 8pm; Feb 28; Mar 3, 6
New York City Opera Tel: (212) 307 4100
● Carmen: by Bizet. Conducted by Semyon Vekshtein/Joseph Colaneri and produced by Jonathan Eaton. In French with English surtitles; 8pm; Mar 5 (1.30pm)
● La Rondine: by Puccini. Conducted by Guido Ajmone-Marsan, produced by Lotfi Mansouri. In Italian with English surtitles; 8pm; Mar 3
● Madama Butterfly: by Puccini. Conducted by Guido Ajmone-Marsan and produced by Frank Corsaro. In Italian with English surtitles; 8pm; Mar 4
● The Marriage of Figaro: by Mozart. Conducted by Scott Bergeson and produced by John Copley. Soloists include Wendy Nielsen and Kathryn Gamberoni. In Italian with English surtitles; 8pm; Mar 4 (1.30pm)
THEATRE
47th Street Tel: (212) 307 4100
● Jelly Roll!: adapted by Vernel Bagneris who also stars in this look at the musical life of Jelly Roll Morton; 8pm; (Not Sun)
Jean Cocteau Repertory Tel: (212) 677 0060
● The Cherry Orchard: by Chekhov. A new production directed by Eve Adamson; 8pm; to Mar 3

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● National Orchestra of France: with soprano Yvonne Kenny, tenor Anthony Rolfe-Johnson and baritone Gerald Finley. Arnold Oestman conducts Haydn's 'La Création'; 8pm; Mar 2
BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30pm; Feb 28; Mar 2, 5 (3pm)

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● Kiri Te Kanawa: with pianist Martin Katz. Works by Mozart, Strauss and Berlioz; 7pm; Mar 6
● National Symphony Orchestra: with cellist Carter Brey. Hugh Wolff conducts Mozart, Bartók and Dvořák; 7.30pm; Mar 2,3,4
OPERA/BALLET
Kennedy Center Tel: (202) 467 4600
● Manon: by Massenet/MacMillan. An American Ballet Theatre production; 8pm; Feb 28; Mar 1, 2

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No cause for celebration

Iran's economic problems are worsening, say **Scheherazade Daneshkhu** and **Gillian Tett**

For the first time since Iran's Islamic revolution 16 years ago, foreign guests were not invited to the anniversary celebrations this month. The ceremonies were overshadowed by worsening economic difficulties, including a currency crisis, rising international debt, lack of foreign investment and the failure of economic reforms to bear fruit.

Once regarded by investors as a potentially lucrative market of 60m consumers, Iran has turned into an economic disappointment.

For years, Iran's political activities have been closely watched by hostile western governments. The Iranian authorities support Islamic fundamentalism around the world, including in Algeria and Egypt, and are suspected of involvement in the bombing of a US airliner over Scotland in 1988 which killed 270 people.

There are also fears about Iran's nuclear ambitions and build-up of conventional arms. This month, Mr Newt Gingrich, speaker of the US House of Representatives, called on the Clinton administration to devise a strategy to counter Islamic fundamentalism, one which "ultimately is designed to force the replacement of the current regime in Iran".

Now it is the turn of the Iranian economy to cause concern in the west. A government spending spree in the early 1990s, based on optimistic oil price forecasts, saddled the country with debt. The subsequent need to constrain imports has led to recession.

High inflation and the gradual removal of subsidies on basic goods mean that most Iranians have to struggle to make ends meet. In recent weeks a sharp fall in the rial, the local currency, has made matters worse. The rial lost a quarter of its value last month and now trades on the open market at about 4,400 rials to the dollar compared with about 2,500 rials a year ago.

Inflation is officially put at 40 per cent, but in Tehran's main bazaar some goods have doubled in price in the past month. A programme of liberalisation, including measures to extend privatisation and attract foreign investment, has all but been abandoned. Exchange and price controls have been reimposed and privatisation is stalled.

For Iran's trading partners, the rising level of debt is particularly worrying. Iran enjoyed an excellent payments record until a few years ago when it began defaulting on letters of credit. At least $8bn of short-term debt has now been refinanced with a grace period of 1-1½ years.

Robert Harding Associates

Prices in Tehran's markets have been rising sharply

Some of Iran's EU trading partners, led by France, are now trying to establish formal mechanisms to co-operate in dealing with the debt problem.

Western diplomats calculate that debt repayments are costing the country about $8bn a year – more than half its estimated oil revenues – and there are fears that it could start to default again within 18 months. However, letters of credit opened by Bank Markazi, the central bank, since March 1994 are being paid on time, as are interest payments on the debt reschedulings.

As for investment, few foreign companies have committed themselves to Iran. Exceptions include Coca-Cola, PepsiCo and Nestlé, the Swiss foods group. The US soft drinks companies – which established bottling factories recently – say they have high hopes for the Iranian market in spite of remarks by Ayatollah Ali Khamenei, the religious leader, calling their products symbols of US imperialism.

Other investment projects are in trouble. The Iranian government recently established an economic free trade zone on the island of Qeshm in the Gulf, but its future is uncertain. "The project is proceeding at a slow pace because the Iranian government has not found many investors," says Mr Wolfgang Breyer of the Siemens subsidiary which is supposed to provide a power plant for the project. "We have had to reduce the plans for the generator to 20 per cent of the original plan... This problem is not unique to Iran. But to do business here in Iran you have to take a very long-term view."

The scale of Iran's problems was underlined by a recent editorial entitled "Economic Chaos" in *Kayhan*, the mass circulation daily which normally fills its pages with pro-government Islamic rhetoric.

Kayhan said Iran's economic problems were "out of control" and made the government of Mr Ali Akbar Hashemi Rafsanjani, the president, look like a collection of "toothless tigers".

But Iranian officials insist the economy is on the mend. Next month, Mr Rafsanjani will launch the second five-year development plan, delayed by a year because of the economic problems. Mr Mohammed Hossein Adeli, the former Central Bank governor, and now an adviser to Mr Rafsanjani, says Iran can easily meet the demands of its trade creditors and has been enjoying a steady economic upturn.

Mr Adeli's colleagues in other ministries in Tehran talk with optimism about infrastructural projects they hope to launch. Mr Akbar Torkan, roads and transport minister, claims he has a host of road, rail and pipeline schemes under construction, funded by the government, which aim to turn the country into a transport hub for the region, linking the Central Asian states north of Iran to the outside world.

Such pronouncements have not convinced foreign observers. Iran, they say, suffers from a chronic shortage of foreign exchange, excessive bureaucracy and a lack of continuity in economic policy. "Iran's economy is bringing it to something of a crunch," said one Western diplomat. "If liberalisation is pushed through, it could transform Iran. If it is blocked or there is a backlash, it could leave Rafsanjani emasculated – and what could happen then is anybody's guess."

One problem with the economy is that competing ministries and other government agencies pursue their own interests, a tendency which has reinforced the impression that Mr Rafsanjani is not fully in control.

Even the reforms that have been made are controversial. Few Iranians believe the privatisation of state factories and mines has involved much more than redistributing state assets to favoured political groups.

Sixteen years of falling living standards have left much of the population disillusioned with the Islamic revolution. After years of dabbling in politics, many Iranian leaders no longer enjoy their old religious legitimacy, while their inability to tackle the economic crisis has left them looking ineffectual as politicians.

Europa: Michael Stürmer

Need for a military option

Now that the New World Disorder has replaced the cold war, the need for a common European foreign and security policy has become very much more apparent. Such a policy was an essential part of the Maastricht treaty agreed in 1991: a central feature of Europe's planned political union. Alas, four years later, that earlier promise has turned sour.

The dangers in the latter part of the 1990s will be essentially different from those of the cold war. Yet the west's institutional framework and modus operandi are much the same: yesterday's solutions for tomorrow's problems.

Post-cold war Europe is caught between two arcs of crisis, one to the east, the other to the south. In the east, the heirs to the Soviet Union continue to dispute the succession. In the lands vacated by Soviet imperialism, the prospect of long-term stability and order is patchy, to say the least.

Nato and the European Union clearly have no magic solutions to resolve the political and economic future of eastern and central Europe. It is somewhat ominous that these territories have been the focus of European disputes, frequently including Russia, for the past 300 years.

The west has no choice but to seek an economic and strategic response to try to fill this eastern vacuum, in a fashion that avoids making enemies of the Russians. If this effort fails, western nations will find themselves in a very chilly peace, hardly distinguishable from another cold war.

To Europe's south, a vast process of violent change is taking place in North Africa and around the Mediterranean rim. These changes are being driven by a population explosion and a battle between various kinds of fundamentalism and modern state secularism, seen particular in Turkey and Algeria. On these southern shores, a cocktail of risks is emerging, stemming from a mixture of factors: the breakdown of political institutions, the proliferation of missile technology (a problem above all in Libya) and the broader clash of northern and southern cultures.

These diverse challenges confront Europe with the need to become a long-term manager of the transformation of political and economic structures in both the east and south. Most important of all, it must become a genuine balancing force, in partnership with the US, to offset the power of Russia.

The west must seek an economic and strategic response to try to fill the eastern vacuum, without making enemies of the Russians

What steps can be taken to accomplish these objectives? The answer is to grasp a difficult but inescapable truth: without a common foreign and security policy, Europe will be unable to protect the interests of its various constituent nations.

Europe needs to find a global political role equivalent to its economic weight. A common foreign and security policy will need a firm hand to give it substance and direction, either through the Commission or through the Council of Ministers. The policy will also require Europe to provide itself with the power to deploy military force outside its borders as an instrument of crisis management and prevention.

Force of arms by itself, of course, is not sufficient to resolve political instability: to withstand the political erosion along Europe's borders, military power can only be a last resort. But Europe will none the less need an intervention force – in which the German army will have to play a part – to add strength and credibility to the instruments of diplomacy. Without such a force, and the will to use it, European efforts at crisis management will be nothing but a series of empty gestures.

In the past, Europe's foreign policy was civilian in style, relying on the provision of economic and financial support and the opening of markets. It was well-meaning, slow-moving and long-term. Today, there is still promise in this non-military approach. But we have to accept that the world's destiny will not be determined solely by growth rates and a general desire for self-enrichment. There will also be a need to use military means to protect the rule of law beyond Europe's wealthy shores; or, put simply and idealistically, to help ensure that the world is a decent place.

There is an additional reason for a common foreign and security policy. The US no longer stands between the European nations and the New World Disorder. This is a shocking discovery for Europeans still queueing for the peace dividend. The advent of the Republican majority in Congress has made one fact crystal clear: the US is no longer available to protect Europeans from the spectres of their past and the possible follies of their future.

Ultimately, Europeans' ability to construct a meaningful common foreign and security policy will become a test of the legitimacy of the entire EU. Once individual citizens realise that their security depends on Europe, their acceptance of the EU's role in providing it will increase correspondingly.

At present, no European nation is willing to place defence policy in the hands of the Brussels Commission, or to trust the Council of Ministers to carry out such policy by majority voting. There are so many foreign ministers in Europe, but not a European one; there are just as many defence ministers, yet no-one speaks for Europe.

The moment of truth will come with next year's EU intergovernmental conference. Its success or failure will be measured not by the number of footnotes to be added to the Maastricht treaty, but by whether Europe can become a genuine actor on the international stage.

Europe will fail in all its ambitions unless it can find a means to marshal and pool its energies. If the objective of a common foreign and security policy turns out to be a fair-weather idea that sinks in rough waters, we will not have long to wait for disasters to happen around Europe's borders.

Up to now, Europe has been fiddling while cities burn. Yesterday Sarajevo, today Grozny, tomorrow possibly Algiers. Later, perhaps, the explosions will be heard still closer to home.

The author is director of Stiftung Wissenschaft und Politik, the German foreign affairs and defence policy institute.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Claims of single currency enthusiasts need to be kept in perspective

From Prof Patrick Minford.

Sir, In the debate over Emu, it is often alleged by proponents of a single currency that trade in the single market will be encouraged and facilitated by it.

The other benefit put forward is that the costs of doing business will fall because currency exchange is reduced.

This last "transactions cost" gain has been estimated by the European Commission, using surveys of financial businesses, at 0.4 per cent of gross domestic product, but for a country with an advanced banking system at only a fraction of this, for the obvious reason that so much currency exchange is done by the stroke of a computer pen.

So disappointingly small is this benefit that attention has naturally refocused on the gains to trade, and businessmen are often pressed into service to emphasise this. Yet the verdict of a huge number of academic studies is unanimous that exchange rate variability has at most a tiny negative effect on trade and may have none at all.

Econometric studies must of course be treated with caution; but economic theory, in line with common observation, supports the idea that companies can operate in different markets with separate currencies, while hedging themselves against exchange rate variations affecting overall profits.

When a single currency is likely to reduce massively the nation's power to stabilise its economy, it is only right to keep the claims of its enthusiasts in cool perspective.

Patrick Minford,
University of Liverpool,
Eleanor Rathbone Building,
PO Box 147,
Liverpool L69 3BX, UK

Mexico too leveraged to set up monetary board

From Mr William R Cline.

Sir, Professor Steve Hanke (Letters, February 21) and others have proposed a currency board for Mexico. In my view, that is neither feasible nor desirable.

The main reason for the revival in interest in this mechanism as relevant for a large country like Mexico is that Argentina has so far enjoyed success with its quasi-currency board. But Argentina experienced hyperinflation in 1989 and 1990 and needed an extreme vehicle to restore confidence in the currency. Even so, Argentina's arrangement is not a pure currency board, as Professor Hanke has critically observed in his book on the subject, because it retains central bank authority and required bank reserves.

Correspondingly, it pledges to redeem in foreign currency not just currency but the full money base (currency plus bank reserves).

The principal problem of feasibility is that Mexico's monetary structure is highly leveraged, and so any credible pledge to convert pesos at a permanently fixed rate would require massive foreign reserves. When Argentina adopted the Convertibility Plan in 1991, its external reserves were larger than its money base and also larger than its M1 (currency plus demand deposits) and amounted to three-quarters of the wider aggregate M2 (which adds savings and time deposits).

In contrast, while the $11bn reserves figure suggested by Professor Hanke for Mexico would cover the money base, because Mexico's money multiplier is high and bank reserves are low this amount would cover less than half of M1 and only one-sixth of M2. For credibility comparable to that in the Argentine arrangement, Mexico would need as much as $50bn in foreign reserves.

Moreover, the currency board is effectively a gold standard and achieves external adjustment in the same way as that mechanism, known for its recessionary bias. Mexico has not gone through hyperinflation and does not need to pay the potentially high price of committing to real exchange rate adjustment solely through domestic deflation with no help from nominal exchange rate changes.

William R Cline,
senior fellow,
Institute for International Economics,
11 Dupont Circle, NW,
Washington DC 230032-1207, US

Barings: contrasting view of threat from a tarnished derivatives system

From Mr John Carroll.

Sir, I was struck by the contrast between your editorial on the Baring crisis, "Body blow to Barings" (February 27), which states that "it seems alarmist at this stage to discern a threat to the system" and your front page report, "Barings forced to cease trading", which has (by implication) virtually every top banking executive in the City saying: "There, but for the grace of God, go I."

John Carroll,
7 Appian Way,
Dublin 6,
Republic of Ireland

From Mr Michael Johnson.

Sir, Like weapons of mass destruction, derivatives cannot be uninvented, but is the demise of Barings a consequence of derivatives per se? Time will tell whether the further tarnishing of the derivatives label is justified, or whether the issue here is how to identify the actions of a rogue trader before he can initiate such mass destruction.

The tragedy that is Barings is proof that traders are perhaps less easy to control than weapons of mass destruction, particularly given the multiplicity of participants in almost every nook and cranny of the financial system. In the meantime, those responsible for compliance throughout the industry must fear the first copy-cat killing.

Michael Johnson,
Flat 4,
68-70 South Hill Park,
London NW3
UK

From Mr John Donovan.

Sir, Derivative trading is virtually a zero sum game, if dealing costs are ignored. Where have the profits (winnings) gone?

Barings is not the first case of huge losses in this type of dealing, yet there seems a curious lack of interest as to who or where the winners are.

John Donovan,
17A La Plata,
Ordino,
Andorra

No subsidy in fair price

From Mr David Porter.

Sir, ICI claims that large users' electricity bills are 50 per cent higher than before privatisation ("ICI warns on electricity price framework", February 25). However, recently published figures show that average electricity prices for industrial users are about 14 per cent down since privatisation.

If, for ICI, today's prices amount to a 50 per cent increase, it is only too clear how large must have been the subsidy to companies such as ICI before privatisation.

Today, ICI wants "a fair, competitive deal" for its electricity. That is what most commercial and industrial users get now and there is no reason why ICI should be any different.

Of course, a "fair" price is not one which is below the cost of electricity production. That would be a return to the dark days of subsidy.

David Porter,
chief executive,
Association of Independent Electricity Producers,
1st floor, 41 Whitehall,
London SW1A 2BX, UK

German bids weakness

From Mr Robert Hutchinson.

Sir, I welcomed your exposure of the hazards of being an equity investor in German companies ("Germans demand a better deal on new equity issues", February 21). You omitted to mention, however, that it is the dysfunctioning takeover mechanism, and in particular the lack of a takeover code, which is ultimately behind the other problems you describe.

The threat of takeover is more efficient in counteracting complacent or incompetent management than the supervisory board system of control. This threat does not exist under the present situation, as hostile takeovers are almost impossible. This view is gaining ground (even in Germany) especially in the light of recent high-profile corporate failures.

Most objectionable of all, however, are friendly takeovers of controlling stakes in businesses at agreed prices without the offer being extended to minority shareholders.

Share ownership would become more popular if the individual minority shareholder could be assured of equal treatment, not only when beleaguered companies make further calls for capital, but also when the spoils of successful corporate governance are being unlocked.

Robert Hutchinson,
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Tuesday February 28 1995

After the US-China deal

The settlement of the dispute between the US and China over copyright piracy is a success for trade diplomacy, one for which both sides deserve credit. Not only has the threat of a trade war receded; Beijing has shown unexpected readiness to play by international rules, notably by offering improved access to its information and entertainment market. The task now is to build on these achievements, with a view to accelerating China's integration into the world economy.

One of the deal's most encouraging aspects is the greater realism and maturity it denotes in both countries' approach to trade policy. After the failure of its ill-judged efforts last year to use trade to bludgeon China over human rights, Washington seems to have learnt the value of picking its targets more carefully and pursuing them more consistently. Beijing has shown that, for all its rhetorical obduracy, it is prepared to bow to foreign pressure and face down powerful domestic lobbies when it perceives its economic interests to be on the line.

China's increased flexibility may also reflect an easing of the leadership struggle, which has recently immobilised political decisions. That, at least, is suggested by its alacrity in closing a pirate compact disc plant personally blessed by Deng Xiaoping. What is certain, however, is that Beijing concluded that it stood to lose more from a trade war than did the US, rightly so in view of the huge bilateral surplus it enjoys. As well as losing access to its biggest export market, it risked unnerving foreign investors and prompting Washington to toughen still further its stance on Beijing's application to join the World Trade Organisation.

Welcome as that realisation is, it marks only the beginning of the lengthy process of adaptation that China must undertake if it is to safeguard its long-term economic interests. Its immediate priorities should be to extend on a multilateral basis the concessions it has negotiated with the US and to implement them rigorously. Beijing has not always honoured trade agreements. Failure to do so this time would destroy the goodwill earned by last weekend's agreement and raise renewed doubts about its commitment to negotiating in good faith.

Beijing can ill afford such a blow to international confidence if it is successfully to conclude its negotiations to enter the WTO. Admittedly, that priority seems recently to have slipped down its political agenda. Serious bargaining is unlikely to resume until it withdraws its threat to offer no fresh concessions and moves further to meet WTO members' demands. Beijing has yet to demonstrate that it accepts the obligations of the multilateral trade system or the politically difficult disciplines they impose.

Unless it tackles these challenges, it will handicap its own economy. China needs to recognise that WTO membership is not a prerogative to which it is entitled by virtue of size. Rather, respecting its rules is the most effective way to underpin domestic reforms, reassure foreign investors and ensure a stable place in the global economy.

The big trading powers can help that process. Provided Beijing negotiates more purposefully, the US should drop its unrealistic demands that China join the WTO as a developed country. The EU's biggest contribution would be to stop misguided attempts to curry favour with China. But the initiative has to come from Beijing. Though last weekend's deal closed one chapter in its trade diplomacy, the much bigger one of WTO membership remains open.

No bail-out

The Bank of England has taken the right course in allowing Barings to go under. The failure to stitch together a rescue package is unsurprising, given that Barings' losses will continue to increase if Japanese markets fall further. Mr Kenneth Clarke, the chancellor, has rightly asked for a full investigation of why controls failed to detect or deter the risk accumulated by a single trader.

But there is no sign, so far, that the collapse represents a threat to the banking system. The world can live without Barings, as it has done without Drexel Burnham Lambert, the US junk-bond specialist which foundered in 1990.

The significance of the Bank of England's restraint is that it shows how times have changed in the City of London. Barings' collapse may be regretted by many in the Square Mile, but in contrast to 1890 when it was saved from failure by a Bank of England lifeline, it had become a relatively small player in London's financial scene. Its collapse does not compromise the City's future.

The debacle will, no doubt, trigger a flight to quality – although it has also raised anew the question of where quality is to be found. Banks' internal accounting and settlements procedures may well be looser than they appear from the outside – although no controls may be proof against a systematic fraud of the kind Barings alleges.

Moreover, however high a bank's reputation in fee-based advisory work, it is the capital available to meet trading losses which counts. Barings has shown that the amount needed may be larger than many have assumed. Other small banks may now be considering whether they should beat a retreat from these markets.

Farewell to Africa

The US intervention in Somalia, just over two years ago, was codenamed "Operation Restore Hope". Perhaps today's exercise, which sees US troops on shore there again to cover the UN withdrawal, should be called "Operation Abandon Hope".

Billions of dollars have been spent. Dozens of UN soldiers and several foreign journalists have lost their lives. Allegedly tens of thousands of Somalis were saved from starvation, but even this is disputed. Some relief agencies say the food crisis was already easing before the US Marines arrived, and that relief workers' own security deteriorated sharply as they found themselves caught up in a military operation against local warlords. Now, as the UN leaves, there is no pretence of having achieved a political settlement. Somalia is left as it was found, without a government, at the warlords' mercy. If anarchy was the cause of famine, there is every prospect that famine will return.

Somalia's tragedy is also the world's. Operation Restore Hope was ordered by George Bush, the victor of the Gulf war and proclaimer of the "new world order". He wished to end his mandate with a demonstration that the US was a genuine world leader, ready to send troops across the world not only to protect an oil-rich state but also to rescue a dirt-poor one, whose collapse was partly caused by ill-judged western support for its former regime.

"We do deserts. We don't do mountains," General Colin Powell, then chairman of the US joint chiefs of staff, is supposed to have said, explaining his refusal to send ground troops to Bosnia. But Somalia, it turned out, was not a desert. South Mogadishu, in particular, was a maze of unpaved streets in which the US Rangers met their nemesis. They hunted for a warlord called Mohammed Farah Aideed without success but in the process swooped on UN development workers, killed Somali women and children, and quarrelled bitterly with Italian allies who understood the country better than they did. By October 1993, after two helicopters had been shot down, 18 soldiers killed and the body of one of them dragged through the streets, in front of the same TV cameras that had filmed the Marines coming ashore 10 months earlier, the US had had enough of Africa, enough of peacekeeping, and enough of the UN.

Perhaps the worst US mistake was the initial one – of thinking the operation could be confined to ensuring delivery of food without disarming the militias which were preying on food convoys. But the UN as a whole underestimated the challenge it was taking on in trying to pacify a country where state structures had collapsed.

Probably nothing short of a trusteeship, with outsiders taking responsibility for administration over a period of years and rebuilding Somali institutions from the bottom up, would have offered any long-term solution. The same may have been true of Bosnia, once Yugoslavia's disintegration was accepted. It will almost certainly be true of some other states in Africa, and in the former Soviet Union. Yet no member state of the UN appears ready to shoulder this kind of responsibility.

Worst of all, failure in Somalia has led the world to think nothing can be done anywhere in Africa. Faced with a quite different kind of crisis in Rwanda, where the genocide of half a million or more people could have been stopped by a timely show of force, and where an alternative government was ready to take over, the UN looked the other way, fearing another Somalia. Greater stamina is required, and clearer thinking.

The box that can never be shut

The collapse of Barings leaves Eddie George with an unsolved derivatives conundrum, writes John Plender

At the close of business on Friday, Barings enjoyed a reputation as one of the best managed of Britain's second-tier merchant banking groups. Before the markets had reopened on Monday morning, the oldest name in British banking had been reduced to beggary.

The sheer speed of Barings' slide from financial respectability into administration was scarcely credible. No less astonishing was the manner of the demise, at the hands of a single, 28-year-old dealer in Singapore, Mr Nick Leeson, whose trading in financial derivatives had racked up potential losses well in excess of Barings' capital. The lethal derivatives exposures, according to someone close to the bid to rescue Barings, were accumulated in a matter of weeks. What does this tell us about the state of global finance today?

Not a great deal, is the official answer from the Bank of England, which is understandably keen to downplay the wider importance of the episode. After the failure of efforts to put together a rescue on Sunday night, Mr Eddie George, the governor, declared that "these circumstances are unique to Barings and should have no implications for other banks operating in London". The relatively modest fallout in the markets yesterday suggests that his view of the Barings case as *sui generis* is widely accepted.

Yet the cumulative evidence of trouble in derivatives dealing, which has inflicted immense damage on a variety of companies and institutions including Kashima Oil, Metallgesellschaft, the Askin hedge fund management group, Kidder Peabody and Orange County, California, leaves an uneasy feeling about potential threats to the financial system.

The conventional wisdom among bankers on this score is encapsulated in an authoritative report by the Group of 30, a private sector think-tank, under Mr Paul Volcker, the former Federal Reserve chairman. It concludes: "Derivatives by their nature do not introduce risks of a fundamentally different kind or of a greater scale than those already present in the financial markets. Hence, systemic risks are not appreciably aggravated, and supervisory concerns can be addressed with the present regulatory structures and approaches."

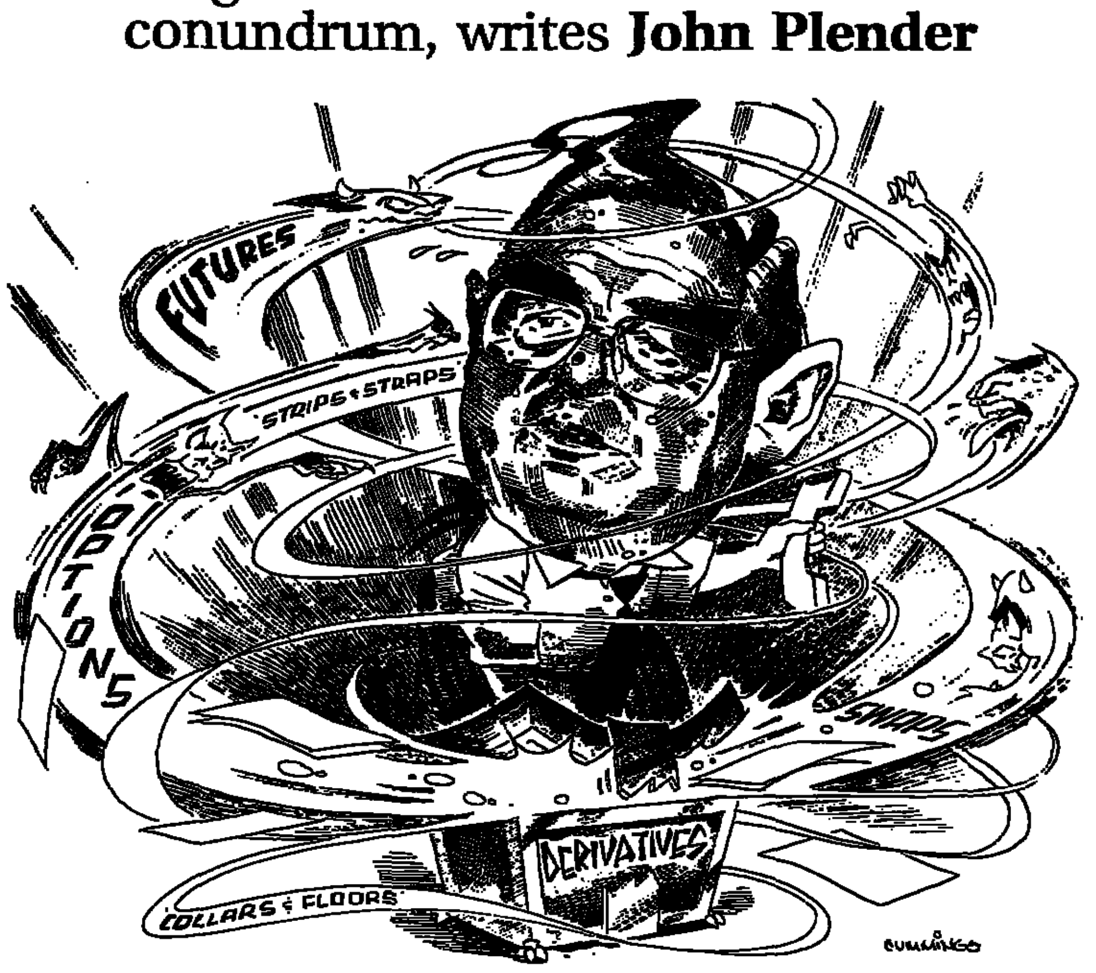
In other words, derivatives do not add anything to the existing level of risk in the markets.

In one sense, the Barings saga confirms this seemingly complacent judgment. Throughout history, banks have been wrecked by single individuals engaging in unauthorised transactions that have been concealed from top management. Exceeding a limit on derivatives exposure is no different, in that sense, from exceeding a limit on loan exposures to a particular client or sector of the market. Far-flung subsidiaries and branches have always been difficult to control.

The cause of the trouble, in Barings' case, was not simply that records were being falsified on the spot. In Singapore Mr Leeson was involved in the process of settling transactions as well as initiating them. A watertight line between dealing and operational responsibility that would be regarded as crucial to any normal system of internal control was missing.

This was, first and foremost, a stunning managerial failure on the part of Barings' treasury department. But the failure of internal and external auditors, of the authorities in Singapore, and of the Bank of England, which handled the consolidated supervision of the Barings Group, to pick up this crucial weakness of internal control must be a key feature of the post mortem.

Nor is there anything new in the principle of leverage in derivatives trading, whereby a small cash outlay buys large exposure to a given market – in this case the Nikkei 225 index. Banking has always entailed leverage, since a relatively slender wedge of capital supports a much larger book of loans whose capital value is uncertain. Derivatives, admittedly, introduce a new degree of mathematical complexity into the equation. Yet there is no suggestion that Barings' futures and options contracts on the Japanese index were the products of vastly complex rocket science.



That said, the scale of the leverage and the scope for trouble in derivatives is surely new. The shift in both investment and commercial banking towards proprietary trading, where banks deal in securities and derivatives on their own account, means that leverage now operates at two levels. First, there is the financial leverage inherent in the bank's balance sheet. Then there is the leverage in the structure of the derivative instrument itself. The multiplication is potent.

In effect, Barings was operating as a hedge fund without knowing it. While the management thought the Singapore operation was engaged in low-risk arbitrage between the Simex derivatives exchange in Singapore and the Osaka stock exchange in Japan, Mr Leeson was actually taking leveraged bets on the Nikkei 225 index through futures and options contracts that were enormous in relation to the group's capital; and he managed to incur huge losses not in the midst of a stock market crash or financial crisis, but at a time when Japanese equities had been trading in a fairly narrow range. In the space of an hour on Monday morning, this single, hitherto obscure trader in Singapore had caused a sharp knock to prices in the world's second largest equity market, where the Nikkei 225 fell by 3½ per cent.

Equally important, the unusual nature of the leverage in derivatives helped scupper the rescue bid. The traditional problem with bank rescues is that the value of the assets is always uncertain. Yet a rescuer will sometimes take on the risks involved, on the basis of very cautious valuation assumptions. The risk is anyway limited by the fact that the value of any given questionable asset cannot, by definition, fall below zero.

With the present case, in contrast, the one potential rescuer that came close to offering a firm price for Barings had to confront an open-ended liability of frightening proportions. On perfectly plausible assumptions about the movement of the Nikkei 225 index, the loss on Barings' derivatives exposures could easily have doubled when the markets opened on Monday morning. Yet the financial institutions invited by the Bank of England at the weekend to put up temporary capital to facilitate rescue in the longer run were unable to find a way of capping the liability.

This suggests that the world's financial markets have taken on a more dangerous dimension, even if the collapse of Barings itself does not pose a threat to the UK or global banking system. Doubly worrying is that the group was not taking risks in those areas of derivatives activity which are regarded as the most tricky.

A watertight line between dealing and operational responsibility, crucial to internal control, was missing

Among the larger worries for central bank supervisors have been the lack of transparency in over-the-counter derivatives trading between banks; the difficulty of valuing derivatives contracts that are not quoted on formal exchanges; and the concentration of risk in an inner circle of big derivatives traders. Another widespread assumption has been that market risk – the threat to bank capital from volatile price movements – is the least of the problems. Indeed, when a Bank of England internal working group produced a report on derivatives in 1993, the message it received from its interviewees in the City was that "market risk was not an issue".

The capital adequacy regime of the Bank for International Settlements reflected this. Until recently, it placed greater emphasis on credit risk, arising from the default of a counterparty in derivatives transactions. There was assumed to be a trade-off. As the Bank of England report put it, "by using derivatives to reduce market risk . . . traders tend to increase gross credit risk".

Yet Barings did not run aground on any of these scores. It was dealing in uniform, exchange-traded instruments on the Simex exchange in Singapore and on the Osaka stock exchange in Japan. These are fully transparent and the traders are required to mark their contracts to market – that is, revalue them up or down in line with closing prices – daily. Credit risk is reduced because Barings' counterparties were the exchanges themselves, backed by their members' resources. In short, Britain's most venerable merchant banking group managed to come unstuck at the simple end of the business. Failure to control market risk was its undoing.

If the discipline of marking to market failed to work, it appears to have been because of concealment on the part of Mr Leeson, and possibly others. The contracts were written by the group's Baring Futures subsidiary; but the margin calls were met in part by the Baring Brothers bank. Both Barings' treasury department and the Singapore authorities were slow – the term is relative in this context – to grasp what happened because they were told that these were not Barings' own positions.

The Barings' treasury department was asked by Mr Leeson to fund margin calls for familiar clients who had agreed credit limits. The numbers did not look threatening because Mr Leeson was also paying for margin calls by secretly writing options on the Nikkei 225 index in exchange for premiums. Despite being aware of a big build up in Barings' exposure in the Nikkei contracts, the supervisors at Simex were misled into thinking that these were aggregate positions of Barings' clients on which margin calls were being met.

According to one insider, the Barings' treasury department picked up the danger signals very soon after the exposure took off. But with a risk management system that was fundamentally flawed at the outset, the men from Barings had little chance of capping the exposure in time. Irremediable damage had already been done.

What else could have been done to prevent the group's collapse? The traditional checks and balances on which central bank supervisors rely are people, controls, capital and liquidity. Clearly there were deficiencies in the first two categories. But capital and liquidity, the traditional fall-back safeguards, were of no use in the case of Barings. Concealment meant that capital discipline was meaningless. Similarly, the liquidity discipline of margin calls was neutered by a strategy of Mr Leeson's which would appear to have been fraudulent.

As for the discipline of credit rating, the London-based agency IBCA rated Barings highly on its performance, although its rating indicated that the bank could not expect to be supported in the event of trouble. It was undeniably wrong-footed. Yet the rating agencies in the US were no more successful in identifying the problems of Orange County.

As Robin Monroe-Davies of IBCA puts it: "This would appear to be a case of disobeying instructions: if so, an outsider like a rating agency can never hope to detect what inside management has already found hard to unravel. All a rating agency can hope to do is to see that reasonable rules are in place."

It is hard to fault the Bank of England's response once the nature of the crisis emerged. The attempt to broker a rescue was a worthwhile attempt to procure a more orderly outcome than administration or receivership can usually deliver. Once it had become clear that a rescue was impossible in the absence of an adequate cap on the liability incurred by Barings, Eddie George's decision not to support the bank with public funds looks unimpeachable.

Barings is a big name, but a small bank. There was no reason to believe that any other London-based bank was in comparable difficulties with derivatives. Nor does it seem likely that losses incurred by Barings' depositors, which are mainly wholesale institutions, or its counterparties will be enough to rock the banking system.

Yet the questions remain as to what should be done to control the risk that derivatives pose to the system. What the Barings saga reveals once again is that it is next to impossible for central banks to keep abreast of derivative exposures. They arise far too quickly, both on and off the balance sheet, to be satisfactorily monitored. Without constant supervision on every trading floor around the world – a practical impossibility – the job cannot be done.

But is it necessary to go as far as Mr Leo Melamed, the chief architect of the financial futures business in Chicago, in arguing of derivatives that "it is hopeless to attempt to harness their growth, prevent their invention, or regulate their application, notwithstanding any risks they may represent"?

One message of the Barings collapse is surely that depositors within a banking group need ring-fencing from this kind of activity. Another is simply that practitioners and supervisers both need to pay yet more attention to risk management systems. But there is no closing this Pandora's Box. All involved acknowledge that derivatives are here to stay, for good and for ill.

OBSERVER

Lutz flies higher

■ Previous customers for the Czech-built Aero L-39 Albatros jet trainer have included the air forces of Afghanistan, Cuba, the former Soviet Union, Iraq, Syria and Libya. Now Bob Lutz, president of Chrysler, America's third largest carmaker, has bought one.

The flamboyant 63-year-old, with a passion for fast cars and big cigars, has reputedly paid $200,000. Zürich-born Lutz, a former US Marine fighter pilot, has recruited an ex-Soviet air force major to teach him the niceties of handling it.

Lutz has a reputation for paying scant regard to speed limits: "You only risk getting caught between 75 and 95 miles per hour, after that you're safe," he used to claim when driving at 140mph in his Lamborghini – a former Chrysler subsidiary. His new plaything has a top speed of 435mph.

Chrysler says the Albatros comes without its usual weaponry, which is maybe just as well. Lutz once told a colleague: "Don't you ever try to take me on physically. You may be a former football player. But I'm a former Marine, and I'm trained to kill."

Visiting professor

■ What now for Professor John Hewson, 48, the former euromarket boffin who quit Australian politics yesterday? Hewson will always be remembered as the man who lost an unloseable election. Having entered politics in 1987, he was elected leader of the opposition three years later and seemed destined to be Australia's next prime minister.

But he blew his party's chances of winning the 1993 election, frightening voters with his proposed consumption tax. Since then he has been drifting in the wilderness. Given his penchant for expensive homes and fast cars perhaps he will follow his wife, the second Mrs Hewson, into merchant banking. She is an executive director of Schroders Australia and has just picked up her first big non-executive directorship – a seat on the CSR board.

Alms and Imran

■ Fundraisers for Pakistan's former cricket star Imran Khan's cancer hospital in Lahore are worried. The Shaukat Khansum Memorial Trust Hospital has raised about $20mln the last six years, enough to build a hospital for cancer sufferers too poor to pay for their treatment. But it still needs cash to pay for equipment and salaries.

The month of Ramadan is normally a time when Moslems dig deep into their pockets to give alms. Imran's hospital hoped for about $3m in donations this year, the same figure it achieved during Ramadan in 1994. But the figure is currently far below that – and Ramadan ends next week in Pakistan.

What's gone wrong? Imran's supporters suspect their failure to get any advertising on the two state-owned Pakistan channels has something to do with it. Having protested to the TV authorities – and been told there is no boycott against them – they are at a loss. The cash for the ad campaign is ready to go; but the TV bosses don't seem to want it.

All very peculiar. The more conspiratorially-minded suspect that prime minister Benazir Bhutto and her influential husband, Asif Zardari, have been blocking the ad campaign from fears of Imran's growing status as a future political leader.

In arrears

■ The Bank of Italy has chalked up another victory in its hard-fought battle to retain its political independence. After several months' suspense, Pier-Luigi Ciocca, 53, head of economic research, has filled the vacancy on the four-man directorate which runs the central bank.

Ciocca was the bank's natural candidate to fill the post of deputy director-general, but politics intervened. The problem dates back to last May when Lamberto Dini, number two at the central bank, went off to be treasury minister. Much to the bank's dismay, the Berlusconi government tried to replace Dini with one of its own supporters.

After a bitter skirmish, the bank won half a victory in October with the appointment of Vincenzo Desario, the junior of the two deputy directors, who was promoted above Tomasso Padoa-Schioppa, a more senior figure. Padoa-Schioppa had been blackballed by the Berlusconi government for being too close to the previous government headed by former central bank governor Carlo Azeglio Ciampi.

Relations with the then government were so strained that it was felt best to leave open the question of Desario's successor, especially since Ciocca was also identified as one of the "Ciampi boys".

Barings bail-out

■ Spare a thought for Renato Riverso, chairman of Alitalia and former head of IBM Europe. He was recently persuaded that chairing the Italian wing of a prestigious merchant bank would look good on his *curriculum vitae*. Thus last November he became chairman of Baring Brothers (Italia), and a director of the bank's overall investment banking division. His airline experience may come in handy: "There are six emergency exits: two at the front, two at the rear and two over the wings . . ."

The Financial Times

100 years ago

Sulphur industry in Sicily
The situation in the Sulphur Mine district is giving rise to serious anxiety, the prevailing depression of trade and the low prices ruling causing great loss to the mine owners and much distress among their employees. A report is current that on the occasion of King Humbert's birthday, the 14th of next month, a general amnesty will be proclaimed for all prisoners sentenced by court martial during the repression of the recent disturbances.

50 years ago

S.S. Cars to change name
The directors of S.S. Cars propose to change the name of the company to Jaguar Cars. Since 1935 the company's cars have been sold under the name Jaguar. By adopting the same name for the company as for its products, any possible confusion will be eliminated, and dissipation of publicity over two names avoided.
[S.S. Cars began as Swallow Sidecars in 1922, but the name Swallow was considered too gentle for fast cars. The brand name SS Jaguar was first used in 1935]

FINANCIAL TIMES
Tuesday February 28 1995

Hopes fade for early end to German pay dispute

By Michael Lindemann in Bonn

Hopes for an early end to the first strike in Germany's engineering industry since 1984 were fading last night after engineering employers threatened to lock out workers this week.

The threat, by Gesamtmetall, the employers' body, drew an angry reaction from the 3m-strong IG Metall union, which is demanding a 6 per cent pay rise. The union began selective strikes in Bavaria on Friday after employers had refused to discuss in detail the scale of wage rise they were prepared to consider.

"If it comes to lock-outs we will ensure that all hell breaks out in every town in the federal republic," warned Mr Werner Neugebauer, IG Metall's leader in Bavaria.

Gesamtmetall officials said the lock-outs – to be decided on Thursday at a meeting of the association's board – would mean a limited number of factories in Bavaria or elsewhere in Germany would be closed in a sign of support for those plants targeted by the union. The tactic would involve locking out workers at plants not affected by the IG Metall strike in order to increase pressure on strike funds.

During the last strike in 1984 the two sides did battle for seven weeks before agreeing on a working week of less than 40 hours.

The union yesterday extended the strike to the Rodenstock optical works in Regen, near the Czech border. Around 12,000 members were on strike at 22 Bavarian factories with a total workforce of 26,000, IG Metall said. It said industrial action would be extended to other plants tomorrow.

Analysts still suggest a settlement of between 3 per cent and 4 per cent can be reached for the engineering industry, but the showdown is being watched keenly by workers and employers across Germany, where pay talks are conducted sector by sector.

The HBV union, representing banking and insurance workers, said a 2 per cent offer from employers was not good enough and the construction workers' union has demanded a 6.5 per cent wage rise.

The two sides in the engineering dispute continued to try to outmanoeuvre each other yesterday. Mr Hans-Joachim Gottschol, Gesamtmetall chairman, said employers were ready to make a "decent offer" conditional on union agreement to cost-cutting measures. Employers say introducing the 35-hour week on October 1, in line with an earlier agreement, represents extra wage costs of 2.8 per cent.

Union members have backed their 6 per cent demand by arguing that the German economy is making an unexpectedly robust recovery and that their members need more money to make up for recent tax rises.

Van Miert warns over telecoms partnership

By Caroline Southey in Brussels

Mr Karel Van Miert, the EU commissioner in charge of competition, has warned France Telecom and Deutsche Telekom, the state-owned telecommmications utilities, that their planned alliance for a global business data transmission service could contravene EU competition policy.

The joint venture, known as Atlas, is under review by the Commission to establish whether it breaks EU rules. British Telecom of the UK has already filed a formal complaint to the Commission, claiming the deal would give the two operators a dominant position in the telecoms market. The proposed deal includes a $4.2bn plan to buy a 20 per cent stake in Sprint, the third largest US long-distance carrier.

"Mr Van Miert's doubts arise mainly from the factual analysis which shows that if the deal goes ahead unchanged it would increase the dominant positions held by the two operators in their countries," a spokesman for Mr Van Miert said.

Mr Van Miert told a weekend meeting of the world's seven biggest industrial powers that he was concerned about moves to close markets where there had been advances in opening them up. He said there was evidence that most of the EU's telecoms companies were resistant to opening up their networks.

The US promised at the G7 gathering that limits on foreign stakes in US telecommunications companies will be lifted, but only for companies whose home countries have an equally liberal regime for telecoms investment.

The spokesman said Mr Van Miert warned German and French ministers that the two companies involved should review the proposal.

However, he said that Mr Van Miert made clear that his view "in no way prejudges the outcome of the investigation".

Mr Van Miert is due to meet the heads of Deutsche Telekom and France Telecom tomorrow night. The Commission has asked the two operators for more information by March 6 about Atlas. The Commission is expected to make its preliminary findings two months after that date.

The joint venture would offer corporate customers worldwide a series of services including data networks, national and international private networks and customised networks.

Police hunt trader

Continued from Page 1

fered by Barings were "either criminal or criminally negligent".

In the UK the Foreign Office said it was keeping in close touch with diplomats in Kuala Lumpur, although UK police said they thought it likely that any criminal proceedings arising from the Barings collapse were more likely to take place in Singapore. "As things stand, the matter is outside our jurisdiction," said a senior UK fraud investigator.

Mr Leeson is thought to be on the run with his wife, Lisa. Yesterday Mr Alex Sims, Lisa's father, said: "I am very, very concerned for his well-being now as well as Lisa's.

"He is not the sort who would do anything silly but I don't know why they haven't got in touch. I just wish they would call to tell me they are safe."

The family home, a three-bedroomed end-of-terrace house at Haines Way in Leavesden, near Watford, Herts, appeared empty yesterday, with neighbours saying they believed Mr Leeson's father, William, had gone to stay "up North".

Mr Leeson had been at Barings in Singapore for three years. Fellow traders say he earned about US$300,000 a year, though this excluded hefty bonuses and commissions: one dealer said Leeson's bonuses on his derivatives trading last year could have exceeded S$2m (US$1.4m).

In an interview in Singapore early last week, Mr Leeson said he was "heavily involved" in arbitrage trading of futures on the Nikkei index on the Osaka exchange and on Simex. He said he had been buying the contracts on Simex and selling in Osaka, taking advantage of price differentials between the two markets.

Asia predicted to boost grain exports

By James Harding in London

An increasing appetite for meat in fast-growing Asian countries will stimulate domestic production and create export opportunities for Europe and North America, the OECD forecasts in a report published today.

While Asian agricultural output will expand, Asian nations will need to import wheat for human consumption and coarse grains for feeding livestock, according to the *Agricultural Outlook 1995-2000*.

However, given the enormous capacity of North America and Europe, agricultural supply is likely to keep pace with demand, says the OECD, and world prices for agricultural produce are likely to rise only modestly. In real terms, prices could fall but not as fast as in the 1980s.

The forecast is in line with the expectations of commodity traders who warned that long-term predictions could be upset by natural disasters or radical changes in farm subsidy policies.

Mr Joe Arata, analyst at Merrill Lynch, the US investment bank, expected "prices to be pretty stable. Prices are not great, but they have been a lot worse and they're good enough to induce farmers to keep planting".

Traders were not troubled by the decline as long-term movements are built into futures' prices. "The futures market has factored in the spot price trends, so long-term movements are pretty irrelevant. What worries us is unanticipated price fluctuations," said Mr Steve Strongin, commodities strategist at Goldman Sachs, the US investment house.

The world market for physical exchange is likely to become more transparent. Greater consistency in world prices for cereals, oilseeds, meat and dairy products is expected as the distortions of surplus disposal on world markets are reduced by falling support prices and the Gatt restrictions on subsidised exports.

Producers not reliant on state support are expected to be the winners in an increasingly competitive environment.

This is particularly true of the wheat trade, where the US share of world wheat exports is forecast to rise by 7 per cent to 48 per cent by 2000, largely at the expense of the European Union whose share of the world market is likely to fall by 28 per cent to 18 per cent.

Big appetites boost farm trade, Page 10

Financial markets avoid share plunge

Continued from Page 1

Average hovered around 4,000.

In London, the FT-SE 100 Index, which opened 39.5 points down at 2998.2, rallied to end the day 12.4 points lower at 3025.3.

The CAC-40 index in Paris closed with just a 0.2 per cent decline.

On the foreign exchange markets, the main victim of the stronger D-Mark was the Italian lira, which plummeted to a low of L1,167 before intervention by the Bank of Italy arrested its decline. It closed at L1,150.

Fears about inflation and political instability weighed on the lira and hit Italian government bonds, which fell by 1¼ points.

In Asian trading, sterling fell below its previous all-time low against the D-Mark of DM2.3130, in February 1993. It opened in London at DM2.2995, more than three pfennigs below Friday's close of DM2.3306, but gained some ground to close at DM2.3070.

THE LEX COLUMN

Barings on the block

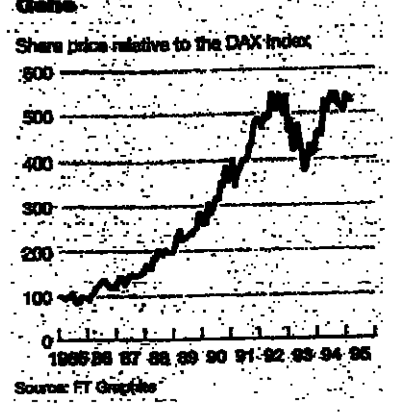
Barings is like a luscious plum with a nasty maggot devouring it from within. If its administrators can isolate the maggot, they will find many willing buyers for either the whole plum or its parts. Even so, massive damage has already been done. The value of what remains has been severely impaired and is unlikely to cover the bank's mounting losses.

Even the most valuable asset, the fund management arm, has been damaged. In normal circumstances, it might fetch £500m-plus on the basis of a multiple of up to 2 per cent of funds under management. Now, though, it seems that it has been contaminated by the broader crisis. If it turns out that client funds were deposited with Barings' banking arm, where they will rank alongside other unsecured creditors, the price would be much lower.

Contamination fears also affect Barings' emerging markets arm. The bank may have one of the world's best emerging markets securities businesses. But given that Barings' agony originated in Singapore, any buyer would be worried that there may be other nasties lurking. Moreover, post-Mexico, emerging markets are not the go-go business they once were.

There are different concerns over the corporate finance arm. Unless a buyer can secure the support of top staff, the unit's value would evaporate as they defected to other firms. That means much of what any buyer ends up paying will have to be in the form of payments to the staff – though the administrators would at least not have to pay the bankers the bonuses they have just been promised.

FT-SE Eurotrack 200:
1359.8 (-10.4)



Futures exchanges

Exponents of futures exchanges are claiming the Barings debacle as something of a victory. Losses of a similar scale in the larger but less transparent over-the-counter market could have left a string of casualties rather than just one. Trades on organised exchanges are backed by collateral, in order to reduce credit risk. As a result, the nightmare of one failure bringing down the entire financial system should be avoided.

In fact, the knock-on effect of Barings' losses does seem to have been contained, although the exchanges may still call for capital, which could strain smaller members. The markets have been shaken, but there is no sign of the apocalyptic financial meltdown feared by regulators.

Nevertheless, the exchanges have no reason to crow. While the greatest management failure clearly lies with Barings, exchanges are also supposed to monitor their members' positions. Some exchanges require members to disclose details of big trades. Large exposures can then be reported to regulators. In this case, the two exchanges, Simex in Singapore and Osaka in Japan, trade similar contracts frequently played by arbitrageurs, so sharing information is crucial. Among traders, the failure of Simex and Osaka to shut down Barings' suddenly escalating positions is even more shocking than the inadequacies of internal management at Barings. Better policing rather than more regulation is the answer.

Gehe/AAH

After tracking AAH Holdings for months, Gehe has chosen the perfect moment to launch its bid for the UK group. Shareholders are disillusioned with AAH after three profits warnings since last summer, the latest earlier this month. A cash offer of 420p a share looks especially enticing on a day of trauma for financial markets.

However, although the offer is pitched at a generous 36 per cent premium to Friday's closing price, it is by no means a knock-out blow. If the bid were to succeed at this price, Gehe would be paying £377m ($599m) for a group roughly the same size as Unichem, a rival pharmaceutical wholesaler capitalised at £420m at the end of last week. The valuations should not be identical, as Unichem has higher margins and a far better earnings record than AAH. Moreover, AAH's earnings outlook is clouded by the poor performance of peripheral businesses such as distribution and loss-making environmental services. But the valuation differential should be smaller if the non-core activities can be disposed at no extra cost. If that can be done, Gehe will take a big leap into a third European market after Germany and France – without paying a premium.

AAH management now faces the task of persuading sceptical shareholders that the peripheral businesses have positive value. Many shareholders will be happy to let Gehe take on the risks as well as rewards of owning AAH's portfolio. Closing at 431p yesterday, AAH's shares display hope for a higher offer from another party.

Italy

Italy's political problems are becoming expensive. The tumbling lira is fuelling inflationary pressure, and encouraging expectations that interest rates must go higher. For a country whose national debt is 25 per cent greater than its gross domestic product, this is proving costly. The yield gap between German and Italian government bonds is now close to 6 percentage points. And the government's financing costs rise by L15,000bn ($9.1bn) for every 1 percentage point increase in interest charges.

Of course, the collapse of both Barings and the Mexican peso have not helped, encouraging investors to seek a safe haven in the D-Mark. But the lira is vulnerable anyway. The tenuous grip on power of Mr Lamberto Dini, the prime minister, has knocked hopes of achieving his proposed reforms. Meanwhile, Mr Silvio Berlusconi, his predecessor, has demonstrated that he will do anything to win back power. This bodes ill for Italy's fight against inflation.

There is already evidence that the weak lira is pushing up consumer prices. Fiat has raised domestic car prices by 7 per cent this year. And there is the threat that this will start to filter through into wage demands. Yet the government cannot support the currency through interest rates because of the impact on debt repayment. The best way of stopping the downward spiral would be if Mr Berlusconi ceased demanding early elections. Mr Dini would then have the chance for some painful but necessary financial reforms. But at present there are few grounds for optimism.

HBSC seeks strategy, Page 25

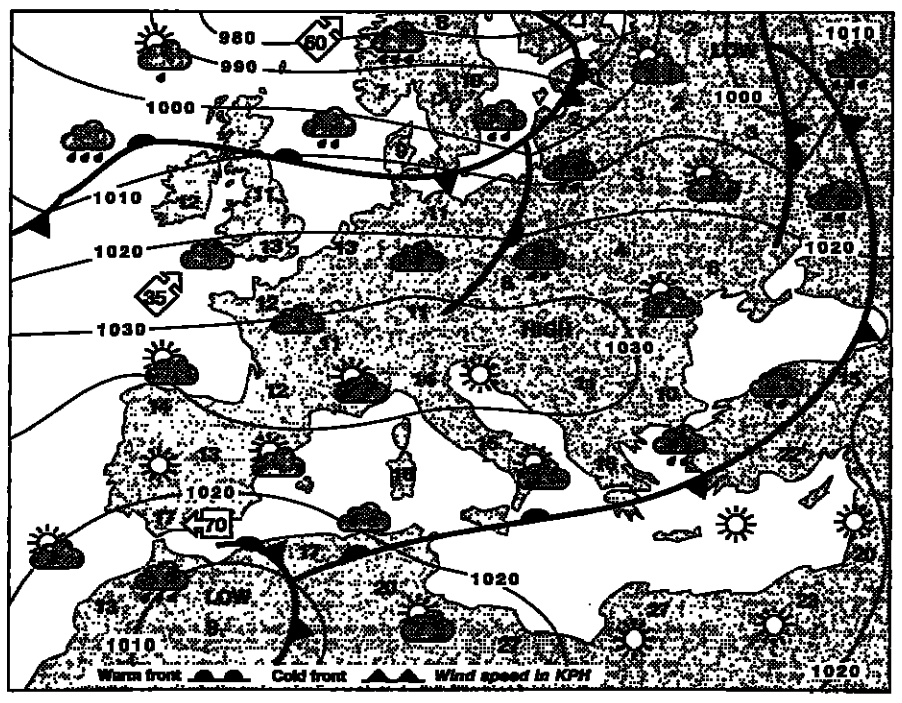
FT WEATHER GUIDE

Europe today

Near gale to gale force westerlies will affect the Norwegian coast. Southern Scandinavia will be quite mild as oceanic air is drawn inland. Cloud over Finland will produce light to moderate snow in most places. A frontal zone over the British Isles and Denmark will give cloud and moderate rain over Northern Ireland and Scotland. The Benelux, Germany and France will be rather dull with moderate to near gale force south-westerly winds. North-west Europe will continue unseasonably mild with afternoon temperatures reaching 10C to 14C.

Five-day forecast

A depression over Morocco will dominate eastern Spain, the Balearics and, later, Sardinia, Corsica and southern France as warm African air is drawn north. As a result there will be showers, some with thunder. The depression will cross Italy towards the weekend. Western and northern Europe will continue unsettled but temperatures will gradually drop to seasonal values.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	22
Accra	fair	34
Algiers	fair	19
Amsterdam	cloudy	12
Athens	fair	19
Atlanta	rain	18
B. Aires	cloudy	28
B.ham	cloudy	12
Bangkok	fair	35
Barcelona	fair	13
Beijing	fair	10
Belfast	rain	11
Belgrade	sun	10
Berlin	drzzl	10
Bermuda	cloudy	21
Bogota	cloudy	24
Bombay	fair	32
Brussels	cloudy	12
Budapest	cloudy	9
C.hagen	rain	8
Cairo	sun	23
Cape Town	cloudy	21
Caracas	cloudy	28
Cardiff	drzzl	11
Casablanca	shower	13
Chicago	shower	2
Cologne	drzzl	12
Dakar	fair	24
Dallas	fair	24
Delhi	fair	25
Dubai	fair	22
Dublin	drzzl	13
Dubrovnik	fair	16
Edinburgh	rain	10
Faro	fair	16
Frankfurt	cloudy	12
Geneva	fair	9
Gibraltar	shower	15
Glasgow	rain	11
Hamburg	rain	11
Helsinki	snow	2
Hong Kong	cloudy	14
Honolulu	fair	28
Istanbul	shower	11
Jakarta	cloudy	30
Jersey	fair	11
Karachi	fair	27
Kuwait	fair	19
L. Angeles	fair	20
Las Palmas	cloudy	19
Lima	cloudy	28
Lisbon	sun	15
London	fair	13
Lux.bourg	cloudy	9
Lyon	fair	9
Madeira	shower	17
Madrid	fair	13
Majorca	fair	15
Malta	fair	20
Manchester	drzzl	13
Manila	cloudy	31
Melbourne	shower	25
Mexico City	fair	22
Miami	fair	26
Milan	fair	12
Montreal	fair	-5
Moscow	cloudy	0
Munich	cloudy	11
Nairobi	sun	29
Naples	sun	15
Nassau	cloudy	26
New York	cloudy	12
Nice	sun	14
Nicosia	sun	17
Oslo	cloudy	9
Paris	cloudy	11
Perth	cloudy	28
Prague	cloudy	9
Rangoon	fair	32
Reykjavik	snow	-1
Rio	fair	29
Rome	sun	15
S. Frsco	cloudy	17
Seoul	fair	6
Singapore	thund	32
Stockholm	fair	9
Strasbourg	cloudy	12
Sydney	cloudy	28
Tangier	shower	14
Tel Aviv	sun	22
Tokyo	rain	7
Toronto	snow	-4
Vancouver	fair	7
Venice	sun	10
Vienna	cloudy	8
Warsaw	drzzl	6
Washington	shower	13
Wellington	shower	17
Winnipeg	fair	-16
Zurich	fair	9

صكتار من الاهل

FINANCIAL TIMES
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IN BRIEF

Euro Disney's big bill for advice

Advisers to the financial restructuring last summer of Euro Disney, the Paris-based theme park, received FFr406m ($78m), according to the annual report published yesterday. Page 20

Alusuisse-Lonza income soars to SFr207m
Alusuisse-Lonza, the aluminium, fine chemicals and packaging group, has reported 1994 net income of SFr207m ($165m), a 149 per cent surge on with the 1993 result. It forecast a further increase of up to 50 per cent this year. Page 20

Suntory doubles pre-tax profits
Suntory, Japan's leading whiskey distiller, has posted a solid increase in earnings for the year to last December. Page 21

Discounting hampers Kmart recovery
Efforts by Kmart, the US retailer, to turn around its ailing discount store operations appeared yesterday to have made little progress as it reported a further deterioration in underlying financial performance in the fourth quarter. Page 22

Brazil's potential draws Anheuser
Antarctica, the Brazilian brewer, described its link-up last week with Anheuser-Busch of the US as a partnership that would "revolutionise the Brazilian beer market". Page 22

JCI aims at blacks in break-up
Johannesburg Consolidated Investments, the South African mining house controlled by Anglo-American Corporation, has formally announced its intention to break the group up into three companies, two of which will be put on the market specifically to attract black investors. Page 24

Pentos shares trading suspended
Trading in Pentos shares was suspended yesterday as the struggling retail group and its advisers attempted to put together a refinancing deal before a ($87m) bank credit facility expires today. Page 25

Chemicals share offer oversubscribed
The public offer of shares in Albright & Wilson, the chemicals company being spun off by Tenneco of the US, was 3.6 times oversubscribed. Page 25

New Wembley chief may not be enough
Wembley, the debt-burdened stadium group, was yesterday warned that the appointment of a new chairman to replace Sir Brian Wolfson may not be enough to persuade investors to back a ($190m) refinancing package. Page 25

Allders offers A$33m for McLeod
A subsidiary of Allders, the department store and international duty-free retailer, yesterday launched a A$33m ($24.3m) takeover bid for MS McLeod, the listed Australian company. Page 26

UK court decision limits Butte $1bn suits
Five of the 77 defendants sued for more than $1bn by Butte Mining, a London listed company, have been granted injunctions in the UK High Court restraining Butte and Mr David Lloyd-Jacob, its chairman, from taking further action against them in the US. Page 26

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Industrie Werke	349	+	4.7
Falls			
Bay Vereinsbank	434	−	5.5
Continental	222.5	−	4.5
Deutsche Bank	716	−	10
SAP AG	1292	−	28
Volkswagen	396.5	−	11
NEW YORK ($)			
Rises			
Bkrs Life	20⅝	+	1⅛
CCP Insurance	20¼	+	1¼
Cadence Design	25¼	+	1¼
Falls			
Best Buy	21¼	−	1⅝
Grupo Trib	5	−	1¼
Telefonos	27⅞	−	1¼
LONDON (Pence)			
Rises			
AAH	431	+	122
Essex Furnitr	128	+	9
Games Workshop	168	+	11
Falls			
Pentos	4½†	−	3½
Saatchi	89½	−	6
Warburg (SG)	683	−	35
TORONTO (C$)			
Rises			
Cognos Inc	30½	+	1¾
Diamond Fields	21⅝	+	1¾
Softkey Sftwr	35¾	+	1⅛
Falls			
BNT	15½	−	¼
Kerr Addison	20¼	−	1
Spectral Diag	28	−	1¼

PARIS (FFr)			
Rises			
Intertechnique	580	+	25
Falls			
Dollfus Mieg Cie	278.5	−	10.5
Ecco	600	−	15
Legris	338	−	14
Vallourec	264	−	7.5
Worms Cie	248	−	7.8
TOKYO (Yen)			
Falls			
Daimaru Inc	467	−	63
Dai Tokyo F&M	616	−	80
Kandenko	1450	−	110
Npn Credit Bnk	492	−	57
Noritake	700	−	51
Sumitomo Heavy	343	−	32
HONG KONG (HK$)			
Rises			
Furama Hotel	9.5	+	0.7
Siu-Fung Hold	1.19	+	0.09
Wkd Housewre	1.74	+	0.11
Falls			
Mandarin Orient	9.05	−	0.4
Peregrine Inv	9.3	−	0.5
Semi-Tech	13.4	−	0.75
BANGKOK (Baht)			
Rises			
Tongkah	33	+	3
United Palm Oil	28.25	+	2.5
United Sugar	38.75	+	3.5
Falls			
Ayudhya Inv	151	−	10
Dhana Siam	142	−	15
First Asia Sec	129	−	10

† Price at suspension. New York and Toronto prices at 12:30.

Salomon takes $61m extra charge

By Maggie Urry in New York

Salomon, parent of Salomon Brothers, the US investment bank, has taken a further $61m pre-tax charge against its 1994 profits. This is in addition to the $217m pre-tax charge for accounting errors which shocked Wall Street when Salomon revealed them earlier this month.

The new charge increases Salomon's 1994 pre-tax loss from the previously reported $770m to $831m, and its net loss per share from $3.98 to $4.31.

Salomon also revealed it had been misclassifying some revenues for years, although this error had no net effect on profits. Arthur Andersen, which has been Salomon's worldwide auditor for several years, could lose Salomon as a client, the company hinted.

Mr Robert Denham, Salomon's chairman and chief executive, said: "Our external auditors have stated to us that these items were not uncovered in prior years' audits. Accordingly, the board will look with particular care this year at the designation of outside auditors."

The extra charge relates to a Yen swap transaction in 1988 and should have been half the size but for the subsequent rise in the Yen. Salomon said it thought the transaction had been reconciled in 1991. It appears the position was overlooked when Salomon reviewed its group accounts.

The classification error led to $328m of interest income being included as a principal gain in 1994, and $182m in 1993. Salomon said its computer did not accurately differentiate between the two types of revenue when some non-dollar securities, mainly Mexican, were redeemed. Too much of the gain was recorded as a capital gain.

Total revenues remain the same but within that the interest and dividend amount has risen and the principal transactions line has reduced by the same amount. The differentiation between the two types of revenue is required by the regulators, although it makes no difference to Salomon's business.

Mr David Fisher, Salomon's financial controller, is moving to Tampa to run the back-office operation. This provides the computer support for settling all Salomon's domestic trades and its global foreign exchange and swaps activities.

In the past, insiders said, the Tampa organisation concentrated on the firm's trading needs rather than its accounting requirements. With Mr Fisher, an accountant, at its head the emphasis would change, they said.

German drugs group launches UK hostile bid

By David Blackwell in London

Gehe, the German pharmaceuticals wholesaler, yesterday launched a hostile £377.4m ($238m)cash bid for AAH, the UK drugs distributor and retailer.

It has offered 420p a share for AAH, which forecast a fall in profits this year after setbacks in its environmental services division. The offer represented a premium of almost 36 per cent to Friday's closing price.

AAH rejected the offer as "opportunistic". The shares rose 122p to close at 431p.

City analysts suggested that the offer was finely pitched.

AAH, which has annual sales of £1.6bn, has about 30 per cent of the UK's pharmaceuticals wholesale market and a chain of 300 pharmacies. Unichem, its main rival in the UK, is roughly comparable and has a market capitalisation of £422m.

Mr Dieter Kämmerer, chairman of Gehe's management board, said yesterday that the UK seemed a natural target for expansion following the 1993 FFr2.6bn ($502m) purchase of Office Commercial Pharmaceutique in France.

Earlier this month AAH warned of a further downturn in trading at the environmental services division, which pushed shares down 39p to 282p.

The group, which reported pre-tax profits of £42m last year, said yesterday that "this opportunistic and unsolicited offer undervalues AAH and its potential".

Gehe has a market capitalisation of DM3.3bn ($2.2bn) and has grown rapidly over the past five years, with turnover up from DM3.8bn in 1990 to DM15bn last year – DM13bn from wholesaling.

Background, Page 25
Lex, Page 18

■ Profits reach £3.2bn ■ Midland up 7% ■ Losses in securities

HSBC shrugs off a dip in derivatives dealing

By Alison Smith in London

HSBC Holdings, parent company of Midland Bank, weathered a sharp drop in profits from dealing in interest rate derivatives and securities last year, when pre-tax profits rose 23 per cent.

The pre-tax total reached £3.17bn, ($5bn), up from £2.58bn in 1993, as cuts in bad debt provisions offset the decline in dealing profits – including £111m losses on securities trading.

Mr John Bond, group chief executive, said yesterday that the group would continue to watch developments at Barings, the collapsed UK merchant bank.

He described its asset management arm as "interesting", but said that HSBC had no acquisition in mind at present, and regarded its main management tasks as increasing its business in the Asia-Pacific region and completing the integration of Midland Bank, acquired in 1992.

Both he and Sir William Purves, HSBC's chairman, said the group had strong controls which would have prevented what happened at Barings. "You can't prevent unauthorised transactions. But with cross checks and short management lines, you can make sure that if there are such activities they are found out," Sir William said.

Dealing profits at HSBC fell by more than three-quarters to £261m, as traders in interest rate derivatives and securities at Midland and HongkongBank found conditions difficult after the series of interest rate rises.

Within this total, the £111m of securities trading losses compared with a profit of £290m in 1993. Profits from foreign exchange dealing, which is supported by a more regular flow of business, held up better at £343m, against £377m.

Mr Bond said that although the group had lost £93m in proprietary position taking in interest rate derivatives and securities, compared with a profit of £199m in 1993, almost all of this had been incurred in the first half.

Trevor Humphries

Challenging times: John Bond, chief executive, says HSBC is moving away from proprietary trading

"We have reined in our business until we see a clear trend," Mr Bond said, pointing out that HSBC had reduced by £5bn the amount of securities it holds as assets. It is trying to position the business more around customer deals and less around proprietary position taking.

He described the outlook for 1995 as "challenging", but said that HSBC was well placed for further growth, particularly in the Asia-Pacific area. Elsewhere it was a matter of "market share rather than market growth".

The greatest contribution to HSBC profits came from HongkongBank and its subsidiaries which produced pre-tax profits of HK$25.3bn (£2.1bn), against HK$19.8bn. The 28 per cent rise included an exceptional profit of HK$4.56bn.

Mr John Gray, HongkongBank's chief executive, said the outlook for 1995 was "mixed": competitive pressures remained strong, financial markets were still volatile and "a modest rise in provisions" could be expected after last year's low levels. HongkongBank's charge for doubtful debts was slashed from HK$3.85bn in 1993 to HK$174m.

Midland Bank, the UK high street banking arm of HSBC, produced pre-tax profits up 7 per cent at £905m, as the fall in provisions for bad debts was offset by the drop in dealing profits.

For HSBC as a whole, the drop in operating income together with a 3 per cent rise in expenses lifted the cost/income ratio to 59.9 per cent, from 55.2 per cent.

HSBC raised its final dividend to 19p to take the total to 27p, up 15 per cent.

The ratio of core capital to risk-weighted assets rose to 9.1 per cent, against 7.9 per cent. Earnings per share advanced from 71.13p to 79.6p, or from 68.77p to 76.84p excluding exceptionals.

Midland Bank details, Page 26; Lex, Page 18

Fokker to restructure and cut 1,760 jobs

By Ronald van de Krol in Amsterdam

Fokker, the Dutch aircraft maker controlled by the aerospace arm of Germany's Daimler-Benz group, is to cut another 1,760 jobs in a fresh restructuring attempt designed to return the company to profitability by 1996.

The restructuring, the fourth so far during the 1990s, will involve setting up a separate unit called Fokker Aerostructures to handle the design and manufacture of aircraft parts. This will decouple components from the group's main activity, the building of regional jets in the 50 to 100-seat category.

Other measures include closing a components plant near The Hague and relocating Fokker's head office in south-east Amsterdam to its aircraft-assembly site near Schiphol Airport.

Fokker yesterday blamed its troubles on weak prices for new aircraft, industry-wide overcapacity and the decline of the dollar in which aircraft sales are denominated. Earlier, the company forecast that its 1994 losses would roughly match the record deficit of Fl 460m ($278m) posted in 1993.

The restructuring measures were aimed at "bringing the company's cost structure in line with the current market prices for aircraft and with the low dollar rate", it said.

However, Fokker added that it detected signs of imminent recovery in the civil aviation market. "The replacement of large numbers of obsolete aircraft cannot be postponed for much longer," it said, predicting a market upswing in 1996-2000.

Fokker plans to seek price cuts from outside component companies which together account for two-thirds of the price of a Fokker aeroplane. "It is intended to turn major suppliers into risk and revenue sharing partners," the company said.

The reorganisation is the latest in a series of moves which have seen Fokker reduce its annual output from 85 to 50 aeroplanes. The 1,760 jobs cuts will reduce the workforce to 6,700 by mid-1996, roughly half the number employed in 1990.

Fokker intends to farm out work to external companies and reduce its overall wage costs by 10 per cent, partly by a proposed increase in the working week from 38 to 40 hours. Talks with the unions on the proposals will begin next month.

Emu spells 'the good life' for investment bankers

Andrew Fisher talks to Deutsche Bank's director for capital markets

Investment banks stand to profit handsomely from the changes in European capital markets likely to follow monetary union, believes Mr Rolf Breuer, the director of Deutsche Bank responsible for capital markets.

Like his colleagues at Germany's biggest bank, he is convinced Emu will occur "for the well-being of Europeans". Mr Ulrich Cartellieri, a fellow Deutsche Bank director, said recently: "The need for, and the benefits of, a European monetary union are overwhelming".

For Deutsche Bank, therefore, the question is not whether Emu will take place – most likely in 1999 rather than 1997 – but how to react when it does. "The question investment banks have to respond to is what happens to capital markets under the Emu regime?" Mr Breuer says.

While equity trading will be relatively unchanged, "fixed income is much more complicated. There will still be outstanding government paper of the member countries, but coupons will vary widely from a relatively low level in Germany to relatively high ones in Italy, Spain and maybe Portugal."

On the day a single exchange rate is fixed, "quite obviously outstanding issues have to adapt". Rapid calculations will be needed to get prices in the old currency and the new European one. "It will be a time for fast thinking mathematicians and arbitrageurs."

Thus he does not believe a single currency will eliminate foreign exchange, money and fixed income markets. Arbitraging the price differences caused by the change to a common currency will give banks much to do. "There will be plenty of business opportunities and a good life for investment bankers."

This transitional period could last some years. Issuing new money is a complicated process. Capital markets will have to prepare. "The change in software will be immensely expensive and take years of preparation. Every programme will have to be rewritten into the new currency." Computer programs will have to be run for a considerable time in parallel.

Once the new currency – which he calls the Eurofranc – is in being, most bond issues will still come from national governments. "It will still be the German finance minister who issues government paper for the federal government of Germany."

According to Merrill Lynch, the US investment house, the German bond market – the third largest after the US and Japan – totalled DM3,690bn (then $2,120bn) at the end of 1993. Government and public sector bonds accounted for 46 per cent of this against 80 per cent in Italy (total market $787bn) and 69 per cent in France ($651bn).

But will European government issues all have the same coupon and price under a unified currency? "No. I am pretty convinced that the market will still differentiate between the credit standing of, say, the Italian government on the one hand and the German government on the other."

This will be so, even if markets perceive that any government which falls into financial difficulties will be bailed out as a matter of last resort. "Legally, this should definitely not be so. There's no legal obligation for the European Commission to save a government bond issue, but the market will expect a moral obligation."

Regardless of that, however, the market would rate an Italian issue somewhat lower than a German issue, at least for a number of years. He cites the experience in Germany. "Even though the Länder (regional states) basically are under the moral obligation of the federal government, and thus equally safe, the market differentiates vastly between issues of the government of Bremen and issues of Bavaria."

Bremen is highly indebted, while prosperous Bavaria is a net contributor to the equalisation fund to help poorer states.

Thus he says investment banks should still keep their bond trading teams in national centres such as Paris, Madrid, London and Milan, even if government bond issues are all denominated in Eurofrancs. They should not concentrate everything in Frankfurt on the assumption that the home of the planned European central bank – and currently of its forerunner the European Monetary Institute – will also be the centre of gravity for government bond markets.

Does he expect the UK to join Emu? "I think UK bankers are very much aware of what is starting to happen and try to play a decent role. They, of course, have a certain disadvantage, since the government is not behind that move – or at least seems not to be for the time being." But he is optimistic about Britain eventually joining. "For the financial sector, it is indisputable that joining will be much better for the City of London than staying away."

Alusuisse-Lonza income soars to SFr207m for year

By Ian Rodger in Zurich

Alusuisse-Lonza, the aluminium, fine chemicals and packaging group, has reported 1994 net income of SFr207m ($165m), a 149 per cent surge on with the 1993 result. It forecast a further increase of up to 50 per cent this year.

As previously announced, the directors are proposing a partial restoration of the dividend, to SFr15 from SFr12.50 a share.

The dividend was cut from SFr17.50 in 1991 when earnings collapsed and the group undertook a restructuring programme to reduce its dependence on volatile aluminium and chemical commodities.

Mr Theodor Tschopp, chief executive, said yesterday the restructuring was now completed.

Through a series of acquisitions and disposals, the group had achieved a balanced portfolio of three inter-related divisions, all aimed at helping their industrial customers improve the value of their products, he said.

Group sales last year rose 21 per cent to SFr7.5bn, and operating profit doubled to SFr555m.

The packaging division, bolstered by the acquisition of Lawson-Mardon a year ago, showed the greatest sales growth, to SFr2.8bn from SFr1.3bn, and surpassed the two others in size.

Aluminium division sales rose 11.9 per cent to SFr2.5bn, while chemicals sales advanced 6.7 per cent to SFr1.6bn.

The chemicals division achieved the best operating margin, 11.1 per cent, followed by the packaging division with 8.5 per cent and the aluminium division at 6.2 per cent.

The packaging division achieved a 20.5 per cent return on capital, while the chemicals and aluminium divisions made returns of 13.6 per cent and 12.4 per cent respectively.

Group net debt rose SFr228m to SFr1.5bn at year-end. Shareholders' funds were down 4 per cent to SFr1.77bn, due to goodwill write-offs.

Mr Tschopp said the group sought further profitability improvement through internal investments and suitable acquisitions for its three divisions. He ruled out the hiving-off of any of the divisions, but said strategic alliances could strengthen their international market positions.

He forecast that net income would jump by about 50 per cent this year, because of a further substantial increase in operating earnings and reduced extraordinary charges.

Euro Disney advisers received FFr406m

By Andrew Jack in Paris

Advisers to the financial restructuring last summer of Euro Disney, operator of the Paris-based theme park, received FFr406m ($78m), according to the annual report published yesterday.

Banking and professional advisory charges accounted for most of the net exceptional charges of FFr515m during the 12 months to September 30 1994, the accounts show.

However, the total also included FFr1.2bn in "payable forgiveness", or amounts owed by the company which were waived as part of the restructuring. These were offset by a FFr1.2bn reduction in the value of the group's assets. There are also FFr103m in provisions relating to legal costs.

A reconciliation at the end of the accounts shows that under US GAAP, the US accounting standards, the group's FFr1.8bn loss last year deepens to a deficit of FFr4.1bn, while shareholders' equity is reduced from FFr5.5bn to FFr4.4bn.

In line with other French companies, Euro Disney refuses to provide detailed information on remuneration of its directors, although the accounts show a total FFr1m was paid to the six members of the supervisory board.

The report shows that 67 employees were granted 12.8m share options in the group last November, at an average market exercise price of FFr7.95 a share. These are valid for 10 years and exercisable from next November.

The accounts show a FFr232m payment to SNCF, the French state-owned railway company, as a contribution to the high-speed rail station opened within the grounds of the EuroDisneyLand park in May last year.

The annual report confirms that under the terms of the financial restructuring, Euro Disney is not required to pay any royalties to the Walt Disney company until 1998, and then at half-rate until 2003. Its last payment in 1993 was for FFr83m.

Portucel to sell 40% of pulp unit

By Peter Wise in Lisbon

Portucel, the paper, pulp and packaging group that accounts for 2 per cent of Portugal's exports, is to privatise 40 per cent of Portucel-Industrial, its main pulp production division, through a global offer in June.

Mr Jorge Godinho, Portucel president, said the group would also invite bids for 100 per cent of Gescartão, its brown paper and packaging division, in April. The two divisions account for 92 per cent of the group's total sales.

Salomon Brothers and two Portuguese banks, Banco Fomento e Exterior and Banco Português de Investimento, are to be global co-ordinators for the Portucel-I offer, planned to be made simultaneously in Lisbon, London and New York by June 15.

Portucel-I, accounting for 60 per cent of group sales, is the world's second largest producer of bleached eucalyptus pulp, used to make high-quality printing paper. It has a 14 per cent share of the international market. Total assets were Es109.4bn ($704.3m) in December 1993.

Portucel plans to split the offer into domestic and international tranches, the latter subdivided between London and New York. The separate tranches are to be co-ordinated by BFE and BPI in Lisbon, Union Bank of Switzerland in London and Salomon Brothers in New York.

Portucel-I's two plants in Setúbal and Cacia together have an annual capacity of 580,000 tons. It owns 60 per cent of Portucel Florestal, which manages 100,000 hectares of forest, producing 450,000 cubic metres of eucalyptus a year and directly supplying 20 per cent of Portucel-I's raw material.

The Portucel group is also the leading shareholder in the paper producer Inapa, which acquires 35 per cent of the Setúbal pulp plant's production through a short pipeline link.

Because of the importance of this vertically-integrated industrial sector to the economy, Portugal is not expected to relinquish full control of the Portucel group. However, the privatisation of further holdings will be considered over the medium term.

Gescartão, which is to be sold to a single buyer, is the holding company for Portucel Viana, with an annual production of 220,000 tons of industrial brown paper; Portucel Embalagem, which manufactures corrugated cardboard; and Portucel Recicla, which produces recycled paper for making corrugated cardboard.

Repola turns in sharp improvement

By Hugh Carnegy in Stockholm

A recovery in demand in the forestry industry, and sharply lower borrowing costs drove Repola, Finland's largest industrial group, to a FM1.63bn ($358m) pre-tax profit in 1994.

The result was a dramatic improvement on 1993, when pre-tax profits (restated to conform with updated accounting systems) reached just FM29m.

Repola, which includes United Paper Mills, the forestry products group, and Rauma, the engineering group, said it benefited from rising sales for both forestry products and forestry machines.

Turnover rose to FM28.6bn from FM27bn, while operating profits increased to FM3.3bn from FM2.5bn.

However, the bottom line was further enhanced by a swing to a FM31m surplus from net foreign exchanges gains on foreign loans, compared with a loss in 1993 of FM500m, and a drop in financial expenses to FM1.23bn from FM1.8bn.

Repola said it expected to improve its performance in 1995, as it predicted sustained strong demand for forestry products and higher paper prices. It announced an increase in the annual dividend to FM2.50 per share from FM1.00 per share last year.

Mr Heikki Hakala, executive vice-president, said the key to 1995 would be the performance of the Finnish markka.

In 1994, UPM, the dominant division in the group, suffered a fall in average markka prices for paper because of a strengthening of the currency, in spite of increases in a number of paper grade prices in the second part of the year.

If the markka remains stable, UPM will reap the benefits of price increases this year, as it is already working at 95 per cent capacity.

UPM's operating profit rose to FM2.6bn last year from FM2.2bn, on sales up to FM19.1bn from FM17.8bn last time.

Rauma, meanwhile, posted a rise in operating profits to FM546m from FM243m, on turnover of FM8.5bn compared with FM7.7bn in 1993.

Mr Hakala said Repola was continuing with its preparations to float up to 30 per cent of Rauma to domestic and international investors.

However, he declined to say when the issue, on the Helsinki Stock Exchange, would be carried out.

Swedish investor moves to buy rest of Proventus for SKr1.4bn

By Hugh Carnegy

Mr Robert Weil, a Swedish private investor, yesterday moved to buy out for SKr1.4bn ($192m) the 63 per cent he does not already control of Proventus, an investment company which includes in its portfolio Puma, the German sports shoe maker

Weil Invest, controlled by Mr Weil, offered a bid to Proventus shareholders equivalent to SKr75 per share, including SKr53.50 in cash and the remainder in two-year debentures with a nominal value of SKr21.50 and carrying annual interest of SKr15.3 per cent. The bid represents a 17 per cent premium over the Proventus share price of SKr64 on February 24.

Proventus has specialised in buying problem companies for restructuring and eventual reflotation or resale. Its main focus at present is Aritmos, a sporting goods company which controls Puma, Etonic, the second biggest supplier of golf shoes in the US, and Tretorn, a leading tennis ball maker.

Proventus, which completed a full takeover of Aritmos this year, steered the company back to profits last year and spun off Monark Stiga bicycles and Abu-Garcia, a fishing equipment maker, into separate quoted companies in which Proventus retains majority shareholdings. The Proventus Abu-Garcia stake is now up for sale.

However, Proventus has consistently traded at a discount to its net asset value. Mr Weil, who has built up the Weil Invest stake in Proventus to 43 per cent from 26 per cent over the past three years, said there was no longer any justification for Proventus to be listed.

BIL GT reports 21% rise in net to SFr171m

By Ian Rodger in Zurich

BIL GT, the fund management group built around the Bank in Liechtenstein, has reported a 21 per cent jump in net income, to SFr171.6m ($136.9m), in 1994 in spite of difficult market conditions in the second half of the year.

The group, owned almost entirely by the Liechtenstein royal family, achieved a return on equity of 17.2 per cent, and the directors have proposed an 18 per cent dividend rise to SFr20 per share or participation certificate.

State rules out Groupe Bull sale problems

By John Ridding in Paris

The French government yesterday rejected claims that the privatisation timetable for Groupe Bull had run into difficulties and said it did not foresee problems in the sale process of the state-owned computer group.

According to a French newspaper report, the government had informed potential candidates seeking to buy stakes in the computer group of a delay in the process. It claimed the delay could reflect the difficulties of the potential bidders in co-operating with new or existing shareholders.

A spokesman at the French economy ministry said, however, that the government had not yet informed potential bidders of the launch of the final stage of the process.

Under this process, the bidders will be informed of a five-day period in which they have to make final, binding offers. The government then has 60 days to decide on Bull's future shareholding structure.

Smuggling crackdown helps lift Tabacalera

By Tom Burns in Madrid

Tabacalera, Spain's state-controlled tobacco group, said pre-tax group profits more than doubled last year, to Pta17.4bn ($136m) from Pta8.1bn in 1993. The rise was the result of a crackdown on smuggling that prompted improved premium brand sales, of sharply lowered costs and of reduced debt servicing charges.

Tabacalera, with many foreign institutions among its shareholders, is 52 per cent state-owned, and a candidate for privatisation.

Revenue from tobacco sales rose 23.8 per cent to Pta717.4m, although tobacco consumption is dropping by about 1 per cent a year in Spain. Mr Pedro Peréz, Tabacalera chairman, said sales of contraband tobacco were estimated to have fallen by 23 per cent last year, about the same as a year earlier. He attributed this to stepped-up policing of contraband and increased penalties for those selling smuggled tobacco.

Mr Peréz said that last year had marked "a transfer from the illegal tobacco market to the legal one". Indicating that there was room for further sales growth as contraband measures improved, he said an estimated 500m packs of cigarettes were sold illegally last year, 150m less than in 1993, and that 8.5m packs had been seized by customs authorities.

Capital gains realised by Tabacalera from the 1993 sale of its foods unit Royal Brands to the US group Nabisco helped absorb a labour shakeout which last year reduced the group's employees by nearly 10 per cent to 7.300, mostly through voluntary early retirement schemes.

Mr Peréz said widespread staff reductions had been more economically efficient than closures among the group's 14 production plants.

The reduced labour force cut personnel costs at Tabacalera's parent company by 5.4 per cent to Pta41.9bn, and promotional expenditure was trimmed by 8.5 per cent to Pta23.5bn.

Mr Peréz said he was seeking a further 4 per cent cut in costs.

INTERNATIONAL COMPANIES AND FINANCE

Suntory doubles pre-tax profits despite flat sales

By Emiko Terazono in Tokyo

Suntory, Japan's leading whiskey distiller, has posted a solid increase in earnings for the year to last December.

Unconsolidated pre-tax profits doubled to Y18.6bn ($120.9m), in spite of a 0.5 per cent decline in sales to Y733.2bn. Operating profits climbed 30.1 per cent to Y38bn, and net profits rose 63.6 per cent to Y7bn.

The company's food and non-alcoholic beverage sales rose 20.4 per cent to Y176.6bn, supported by brisk canned tea and coffee sales. Distilled liquor sales, however, fell 5.5 per cent to Y351.9bn, while beer sales also dipped, by 8.1 per cent.

For the current year to December, Suntory expects a 21.3 per cent rise in pre-tax profits, to Y29bn, on a 7.7 per cent increase in sales to Y790bn.

The company said it was trying to resolve a rift with Daiei, the leading retailer. Daiei last week withdrew Suntory products from its shelves without explanation.

Some analysts believe it was trying to make shelf space for old stocks of imported beers, while others maintained the action stemmed from Suntory's agreement to supply Ito-Yokado, another leading supermarket chain, with cheap imported beers.

Mr Shinichiro Torii, Suntory president, said he was trying to set up a meeting with Mr Isao Nakauchi, chairman and president of Daiei. He described the retail group as a long-standing and important customer.

Solid advances at LG businesses

By John Burton in Seoul

The two main businesses of South Korea's LG group, formerly Lucky-Goldstar, reported increased profits for 1994.

LG Chemical, the new name for Lucky, reported an advance in net profits of 106 per cent, to Won91.6bn ($116.4m). It attributed the rise to a recovery in its petrochemicals business, which accounts for 40 per cent of sales.

Turnover rose 28 per cent to Won2,830bn.

The company's other main product areas include construction material and consumer goods.

It has recently diversified into fine chemicals and pharmaceuticals, both of which posted profits for the first time.

LG Electronics, formerly Goldstar, said profits rose 59 per cent to Won104.6bn, because of increased demand for consumer electronics in the domestic market and abroad.

Sales climbed 19 per cent to Won5,150bn.

The results, however, were slightly smaller than preliminary estimates two weeks ago, when the company predicted profits of Won130bn and sales of Won5,300bn for 1994.

LG Electronics last year became Korea's biggest consumer electronics company by overtaking Samsung Electronics, which had consumer product sales of Won4,330bn.

Windfall gains clean up Korean banks' bad books

The sector is in better shape, but state liberalisation could force a restructuring, writes John Burton

The 1994 results from South Korea's banks provide an encouraging sign that the troubled sector is on the rebound.

The banks took advantage of large capital gains from last year's booming Seoul bourse to slash bad loans, while lifting net profits.

Their improved performance bodes well for Korea's financial liberalisation programme, which has been held back by concerns that rapid deregulation could lead to the collapse of some banks.

However, doubts remain as to whether Korean banks can repeat their success this year as the stock market turns sour.

"The large capital gains were fortuitous, but they do not provide a practical and sustainable solution to the banks' structural problems," said Mr John Wadle, regional Asian banking analyst for J. P. Morgan Securities in Hong Kong.

Korean bankers hope that increased loan demand, stemming from rapid industrial expansion and higher interest rates, will balance any downturn in earnings from stock investments.

Net profits for the country's 10 leading commercial banks rose 25 per cent last year, after capital gains from stocks almost doubled and operating profits rose 68 per cent as rationalisation reduced administrative costs.

The stock market rally coincided with a stricter government requirement that the banks increase bad-debt provisions as part of an effort to clean up their balance sheets ahead of full-scale financial liberalisation in 1998.

The nation's 14 national and 10 provincial banks used the capital gains windfall to write off 38 per cent of bad loans, which totalled Won2,930bn ($3.7bn) at the end of 1993. The ratio of non-performing loans to total lending fell from 1.8 per cent to 1 per cent, the lowest level since the late 1980s.

The bad-loans problems are particularly severe for the nation's five oldest banks, which have been forced by the government during the past three decades to make subsidised loans to, at times, risky industrial ventures favoured by the state.

Other problems confront Korean banks, which have been tightly regulated: they are overstaffed, with low productivity rates per employee, while their branch networks are too large.

The troubles were illustrated by the Commercial Bank of Korea, one of the country's largest. CBK was shaken last spring after Hanyang Construction, one of its main borrowers, defaulted on loans of Won441bn. The government assisted in the rescue by having the Korea Housing Corporation take over Hanyang and promise to repay Won341bn of the loans over 10 years.

South Korean banks' financial results: 1994

	Net profit (Won bn)	Change on year (%)	Non-performing loans (Won bn)	% of total lending	Change on year (%)
Cho Hung Bank	136.3	+40.0	229.4	1.20	-38.0
Commercial Bank of Korea	54.5	+526.0	107.0	0.60	-86.0
Korea First Bank	131.3	-15.0	219.7	0.90	-51.0
Hanil Bank	129.2	+8.0	169.0	0.80	-18.5
Bank of Seoul	53.1	+415.5	402.4	2.30	+6.0
Korea Exchange Bank	100.3	+20.0	237.7	1.00	-41.0
Shinhan Bank	153.2	+15.0	105.7	0.60	+95.0
KorAm Bank	24.0	+76.5	24.7	0.50	+31.0
Hana Bank	40.8	+25.5	2.3	0.04	-18.0
Boram Bank	32.8	+5.0	9.2	0.10	-1.0

Source: Office of Bank Supervision

CBK handled the remainder of the Hanyang debt, writing off an unprecedented Won347bn in bad loans. Its actions helped it reduce its bad-loan ratio from 4.6 per cent of total lending to 0.6 per cent.

CBK still managed to report the sharpest increase in net earnings among the main banks – 526 per cent to Won54.5bn – as its pared down its operations to boost operating profits by 149 per cent to Won598bn. It sold its Sangup securities business to Korea First Bank for Won350bn and cut more than 500 jobs.

The Bank of Seoul was able to post a 415 per cent rise in net earnings, to Won53bn, because of similar rationalisation. Operating profits grew 88 per cent to Won511bn as it cut 600 jobs and closed six offices.

Although BoS wrote off bad loans of Won202bn, its non-performing loans rose 6 per cent to Won402bn, leaving it with the highest ratio of bad loans at 2.3 per cent.

Other big banks, including Korea First, Cho Hung and Korea Exchange, almost halved their bad loans through write-offs last year.

In spite of the improvements, "this year could prove tough for the banks. They will have to work harder to make money than in the past," said Ms Anne Lowell, banking analyst for W. I. Carr Securities in Seoul. She estimates that capital gains from stock investments this year could be half the Won1,175bn posted by banks in 1994.

However, the banks may be able to boost profits by making lower loan-loss provisions after the aggressive debt-reduction of last year. BZW Securities in Seoul says provisions could fall by 40 per cent in 1995.

Moreover, loan demand is expected to be strong, as companies continue to expand production capacity to benefit from Korea's export boom.

Analyst are divided on whether recent deregulation of interest rates will improve profit margins on loans, but a tighter monetary policy should also raise interest rates.

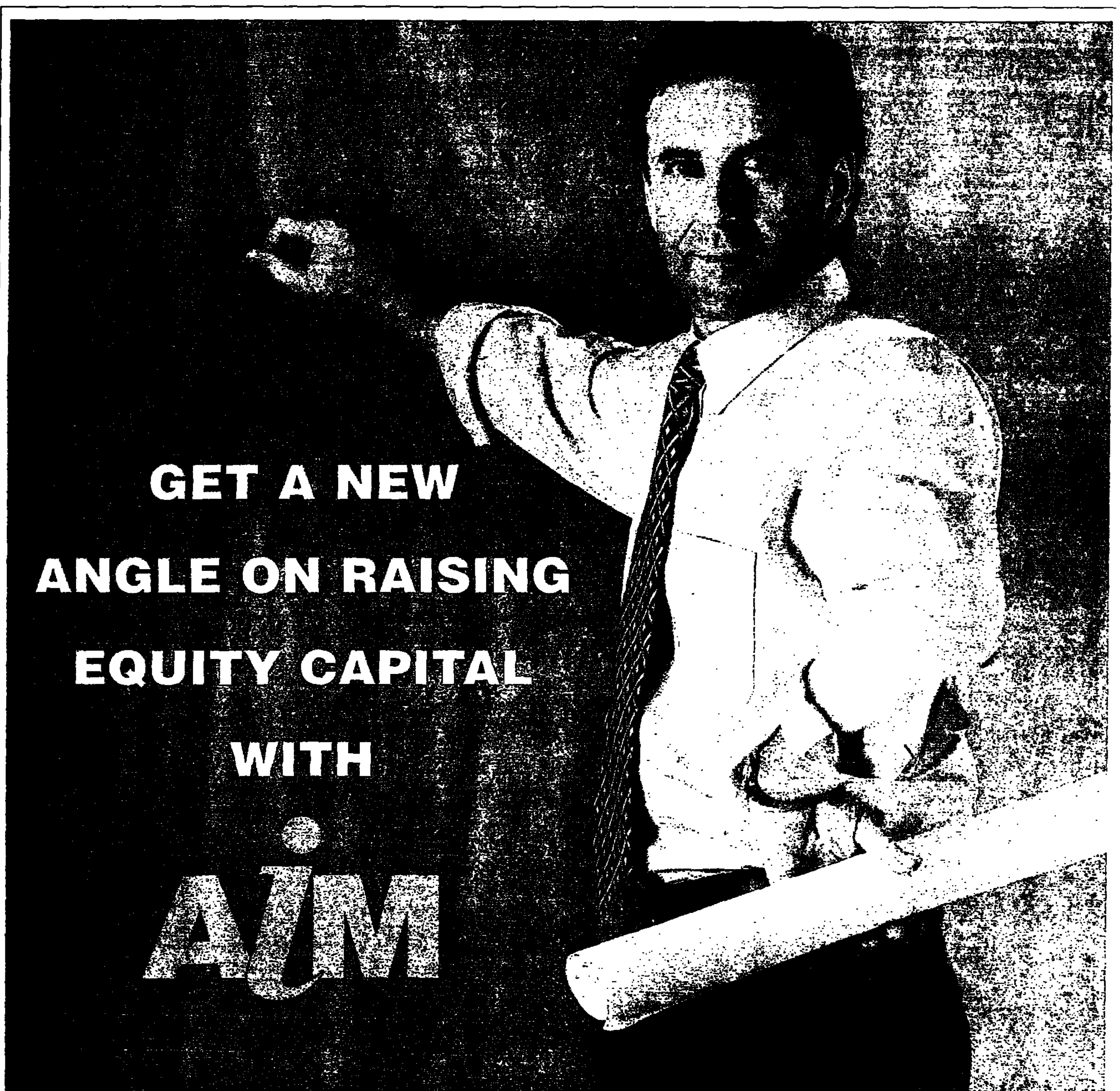
Challenges remain for Korean banks as they prepare for the further opening of the domestic financial market.

They will be required to reveal the full extent of their non-performing loan burden, according to a broader definition that would include loans on which interest has not been paid for six months or more. Defaulted loans, or loans with no interest payments and lacking adequate collateral, are now considered bad loans.

The central bank's office of bank supervision estimates the more broadly-defined non-performing loans total at more than Won10,000bn, against the current Won1,850bn in bad loans.

The banks will eventually have to commit more loan-loss reserves, while fulfilling a stricter capital adequacy ratio, of 8 per cent, by the end of 1995. The renewed financial pressure is likely to force a restructuring of the industry, with mergers leading to the creation of larger institutions.

The government, which is privatising the last four banks still under state control, is expected to issue guidelines soon on the reorganisation.



Discounting continues to hamper Kmart recovery

By Richard Tomkins in New York

Efforts by Kmart, the US retailer, to turn around its ailing discount store operations appeared yesterday to have made little progress as it reported a further deterioration in underlying financial performance in the fourth quarter.

Kmart said it made net income of $145m, or 31 cents a share, in the period to January. This compares with a net loss of $1.2bn, or $2.61, last time. However, the result for the comparable period included a restructuring charge of $1.35bn before tax.

Excluding this charge, and stripping out a $168m pre-tax gain in the latest quarter from the sale of stakes in OfficeMax and The Sports Authority, operating income on continuing operations fell still further, to $113m from the depressed level of $379m last time.

It was the eighth consecutive quarter in which the company's financial performance had worsened. The shares, which have recently found support from the dividend yield and flurries of bid speculation, shed $¼ to $13⅝ in early trading.

Revenues on continuing operations rose 8 per cent to $10.4bn. For the full year, the company reported net income of $296m compared with net losses of $974m last time.

Although revenues rose, profits fell because Kmart had to sell so many goods at marked-down prices. The company said this was partly because of tough price competition from other retailers, and partly because demand for winter clothing had been hit by unusually mild weather.

The gross margin for the year fell from 25 per cent to 23.6 per cent, with most of the pressure coming in the second half. Kmart said a more aggressive policy on discontinued and seasonal merchandise cost it $171m in gross profits in the fourth quarter.

Mr Joseph Antonini, the chief executive who was stripped of the chairmanship last month, said the company was "disappointed" with the year's results. However, it said it entered 1995 with a strong commitment to reduce costs and improve financial performance.

A month ago, US credit rating agency Moody's Investors Service lowered its ratings on Kmart's debt, citing its "remote outlook for rapid recovery".

Earlier this month, Kmart formed a new team of five senior executives to revitalise the discount store operations.

Further fall for Placer Dome

By Kenneth Gooding, Mining Correspondent

Placer Dome, the Vancouver based international mining group, reported a second successive year of falling earnings and gold production in 1994.

Net earnings slipped to US$105m or 44 cents a share, from $107m or 45 cents in 1993, mainly because of the absence of favourable tax adjustments.

Fourth-quarter net earnings were $26m or 11 cents compared with $62m or 26 cents.

Placer's share of gold production was 1.7m troy ounces against 1.83m in 1993. The fall was caused primarily by a 7½ month shut-down of the Gold Sunlight mine in the US, which cost 56,000 ounces, and lower grades at the Porgera mine in Papua New Guinea. It expects its share of production this year to be 1.9m ounces, still below the 1.95m of 1992.

Sales revenues last year were $899m against $917m. Placer's average realised price for gold was $388 an ounce against $360 the previous year but production costs rose from $184 to $198 an ounce.

Cashflow from operations was $225m against $300m. Placer continued to maintain a strong financial position in spite of capital expenditures totalling $434m. The year-end cash and short-term investments balance was $312m and debt amounted to $276m.

Its share of proven and probable reserves at year-end was estimated at 19.8m ounces of gold against 19m a year earlier.

Cascades returns to profitability

By Robert Gibbens in Montreal

Cascades Paperboard, the international packaging group controlled by Canada's Cascades, is returning to profitability, with streamlining of its European operations, asset sales and stronger markets.

Fourth-quarter net profit was C$4.5m (US$3.2m), or 9 cents a share, against a net loss of C$98m or C$2.14 share a year earlier. Sales were C$210m against C$193m.

For the full year, net profit was C$318,000, equal after preferred dividends to a loss of 9 cents per common share, against a loss of C$120m or C$2.68 a share in 1993. Sales were C$725m against C$872m. The lower sales figure was due to asset sales.

During the year the company shut down its Duffel mill in Belgium.

Mr Laurent Lemaire, chairman, said results will continue to improve in 1995, with higher prices and greater productivity. The mills are fully booked in Europe and north America.

At the operating level the fourth quarter showed income of C$14.7m, up 133 per cent over the third quarter.

The company has made a provision of C$13.9m in respect of a C$28m fine imposed by the European Commission in 1994. However, Cascades said it is contesting the decision and believes the amount will be substantially reduced.

Conseco to buy out life assurance affiliates

By Richard Waters in New York

Conseco, the US insurance group, yesterday announced its intention to buy the outstanding shares in two of its life assurance affiliates for a total of $727m in cash.

The announcement reverses a plan unveiled last summer, when Conseco had said that it was exploring a sale of its holdings in the two companies to help finance a bid for Kemper, another US insurance and financial services group.

Conseco abandoned that bid after a sharp fall in its own share price, which undermined the value of its offer, and after it was apparently unable to find buyers willing to pay what it wanted for the two insurance holdings.

The two companies are Bankers Life, which writes individual health insurance policies, and CCP Insurance, which sells mainly annuities and employee benefit products. Conseco said it already controlled 49.4 per cent of CCP's 23.4m shares, and 60.4 per cent of Bankers Life's 52.8m shares.

Conseco said it would present its offer formally to both companies on Thursday. Its bid would value Bankers Life shares at $22 each, and CCP shares at $22.50 each. The offers need the support of a majority of each companies' shareholders, excluding Conseco.

The shares of all three companies climbed after the announcement. During morning trading, CCP rose $1¼ to $20⅝, while Bankers Life climbed $2 to $20½. Shares in Conseco, meanwhile, gained $⅝ to $35⅝.

Correction
Midland Walwyn

In a report headed "Canadian stockbroker chief quits" on February 21, it was stated that Midland Walwyn Capital lost money in the fourth quarter of 1994. Midland Walwyn in fact reported earnings of C$420,000 for the quarter.

Brazil's potential draws Anheuser

Several global brewers are eyeing the market, writes Angus Foster

Antarctica, the Brazilian brewer, described its link-up last week with Anheuser-Busch of the US as a partnership that would "revolutionise the Brazilian beer market". Antarctica, whose advertising uses the slogan "national passion" with images of samba, music and football, may have got carried away slightly, but the deal will certainly re-invigorate the company.

The link will also speed up the entry of new brands into the Brazilian beer market which, following growth of 15 per cent last year, is close to overtaking the UK as the world's fifth largest. After being overlooked for many years because of its economic problems, Anheuser's interest in Brazil could also prompt other international brewers to set up in what is, after China, the world's fastest growing main market.

In a complex deal, Anheuser's international subsidiary will pay about $105m for a 10 per cent stake in a company to be formed to own Antarctica's operating assets. Antarctica, founded by German immigrants in 1885 and now one of Brazil's two main brewers, is presently 87 per cent owned by a foundation and has non-brewing assets which will be split off. Anheuser has an option to increase its stake in the new company to 29.7 per cent.

The new company and Anheuser will also set up a joint venture to produce and distribute Budweiser in Brazil. Further joint distribution and marketing projects are possible and Antarctica is particularly keen on lifting exports of its Guaraná fruit drink using Anheuser's international distribution.

Anheuser has been looking for a partner in Brazil for over a year. It first started talking with Brahma, Antarctica's arch rival and the world's sixth largest brewer, but the discussions fell through.

The Anheuser-Antarctica link will speed the entry of new brands into the Brazilian beer market which, after last year's 15 per cent growth, is close to overtaking the UK as the world's fifth largest

Anheuser's interest in Brazil reflects the company's desire to counter near-stagnant volumes at home by spreading into expanding markets outside the US, preferably through strategic alliances. In late 1993 it took a 17.7 per cent stake in Grupo Modello, Mexico's biggest brewer.

The enthusiasm for Brazil reflects its potential; the average Brazilian drinks 46 litres of beer a year, about half the 90 litres consumed in the US. Brazil's low land and labour costs also make it one of the lowest cost producers in the world. The factory cost of a hectolitre of Brazilian beer is about $26, compared to $60 in the US and $124 in Holland.

Much of this advantage is lost through beer taxes, which are possibly the most punishing in the world, but margins are still very healthy. Antarctica made net profits of $132.7m on sales of $1.5bn in 1993, the latest figures available, despite a price war with Brahma which depressed margins further.

Brazil's other attraction is that the market was, until 1990, stagnant. The removal of price controls that year allowed Brahma and Antarctica, whose main brands each control slightly more than 30 per cent of the market, to lift prices and renew investment. Brahma, taken over by an aggressive bank, started investing heavily in marketing and exports.

Antarctica was at first slow to react, in keeping with its reputation for being bureaucratic and production-led rather than sales leded. Once its market share started falling, dropping from 40 to 31 per cent between 1989 and 1993, did the company start to act. It has simplified its group structure, reduced its head count by 6,000 people to 16,500 and invested heavily in new production and more assertive advertising. Sales last year are thought to have increased sharply to $2bn while in December its main beer, Cerveja Antarctica, recovered the number one spot ceded to Brahma.

While the two market leaders have been restructuring, new brands have taken a growing slice of beer sales. Kaiser, in which Heineken owns 15 per cent, increased its market share from almost zero to about 14 per cent. Skol, brewed under licence by Brahma, has taken a similar share.

But the sector which has so far grown least is premium beers, which account for only about 1.5 per cent of sales. Antarctica and Anheuser are betting that Budweiser, which will be launched at the premium end of the market, will persuade enough Brazilians to trade up to a more expensive and – in Brazil – more glitzy brand.

With each 1 per cent of market share worth $50m in annual sales, analysts say the bet looks attractive.

Anheuser's arrival in Brazil gives it the edge over other global brewers, several of which have already started eyeing the market. Miller of the US and Kirin of Japan are thought to be interested in entering, but both would probably prefer to do so with a local partner, as Anheuser chose. Quilmes, the Argentine brewer, is also thought to want to produce in Brazil.

But with Antarctica tied to Anheuser, and Brahma apparently unwilling to sell shares at this stage, none of the main brewers are left. From now on, new entrants may be forced to opt for the more costly, and more difficult, strategy of building brands and distribution from scratch.

Akzo Nobel climbs 35% in first year

By Ronald van de Krol in Arnhem

Akzo Nobel, the Dutch-based chemicals group, marked its first year of existence with a near 35 per cent rise in net profit before extraordinary items.

The company, formed by Akzo's acquisition of Nobel of Sweden, said net profit before extraordinary items rose to Fl 1.25bn ($758m) in 1994 from a pro forma Fl 934m in 1993.

The annual dividend will be raised to Fl 7.00 a share from Fl 6.50.

Mr Cees van Lede, chairman, said the rise was due both to external factors, such as European economic recovery, and to internal integration and cost-cutting following the takeover of Nobel.

If net extraordinary charges in both 1993 and 1994 are included, last year's net profit increased by 49 per cent to Fl 1.18bn from Fl 790m.

Sales advanced by 6 per cent to Fl 22.2bn, reflecting a 5 per cent expansion of selling volumes as demand strengthened because of the economic revival.

"For 1995, we are cautiously optimistic and we expect a further increase in sales and earnings," Mr van Lede said.

The profit increase came virtually across the board, with even the fibre sector swinging back into an operating profit of Fl 80m from a loss of Fl 21m a year earlier.

In percentage terms, the best performer was the chemicals sector with an operating profit rise of 49 per cent to Fl 712m.

Mr van Lede said that Akzo Nobel had been "blessed" with severe winter weather in the US, which had boosted demand for road salt.

Other strong chemical sectors included PVC and pulp and paper chemicals.

In coatings, operating profit rose by more than 30 per cent to Fl 521m, though margins came under pressure towards the end of the year because of rises in raw material prices.

Prices for electricity, computed for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 28.02.95: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.12	8.20	8.20
0100	8.17	8.66	8.66
0130	8.77	8.73	8.73
0200	8.77	8.73	8.73
0230	8.19	8.70	8.70
0300	8.18	8.71	8.71
0330	8.18	8.71	8.71
0400	8.14	8.66	8.66
0430	8.12	8.30	[illegible]
0500	8.10	8.12	8.12
0530	8.15	[illegible]	8.73
0600	8.16	[illegible]	[illegible]
0630	8.12	[illegible]	8.80
0700	8.82	9.17	9.17
0730	8.04	8.59	9.64
0800	8.06	12.48	13.72
0830	8.12	14.75	16.57
0900	10.49	17.14	19.54
0930	11.09	19.58	22.01
1000	15.95	19.72	22.22
1030	15.92	19.01	21.36
1100	11.31	17.27	19.72
1130	11.81	18.86	21.69
1200	11.63	21.39	24.79
1230	11.58	[illegible]	[illegible]
1300	11.51	21.31	24.24
1330	10.67	15.85	17.77
1400	10.35	13.65	15.33
1430	8.08	12.64	14.38
1500	8.06	14.22	15.46
1530	8.82	12.64	14.07
1600	8.14	20.31	23.82
1630	8.47	55.23	67.85
1700	14.81	155.79	189.39
1730	17.56	250.78	295.04
1800	27.86	263.34	305.82
1830	30.58	182.00	213.54
1900	29.72	83.22	98.41
1930	24.42	36.26	41.73
2000	13.96	18.93	19.00
2030	8.09	10.32	10.89
2100	8.05	8.38	8.82
2130	8.82	9.11	9.11
2200	8.79	8.84	8.84
2230	8.12	8.80	8.80
2300	8.11	8.20	8.20
2330	8.11	8.10	8.10
2400	8.11	8.10	8.10

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction [illegible] final pool prices are determined approximately twenty-four days after the day of trading. [illegible] ©Energy Settlements and Information Services Limited

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JCI aims at blacks in break-up

By Mark Suzman in Johannesburg

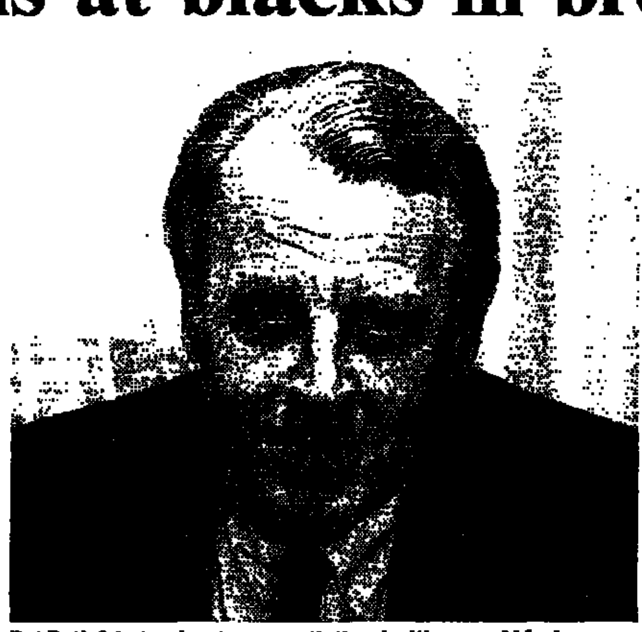
Johannesburg Consolidated Investments, the South African mining house controlled by Anglo-American Corporation, has formally announced its intention to break the group up into three companies, two of which will be put on the market specifically to attract black investors.

If successful, the move will lead to the establishment of by far the biggest black-controlled companies in the country.

Mr Pat Retief, JCI chairman, said yesterday that one company would house the group's large platinum assets together with some smaller unlisted diamond investments, a second would contain its broader industrial interests and a third JCI's remaining mining assets. Subject to shareholders' approval the new companies will be listed on the Johannesburg Stock Exchange on May 15.

The announcement comes nearly a year after Anglo-American, which effectively controls around 48 per cent of JCI's shareholding, first proposed the restructuring to try to create opportunities for increasing black involvement in the economy.

However, Mr Retief said the long delay was inevitable because special enabling legislation had to be passed in parliament to allow shares in the underlying companies to be distributed without substantial tax costs.



Pat Retief: in 'exploratory negotiations' with several black groups

As previously indicated, Anglo-American will retain direct control over the platinum and diamond interests, which includes Rustenburg Platinum, the world's largest platinum producer.

The resulting company, which will have assets valued at about R6.3bn ($1.74bn), will be renamed the Anglo-American Platinum Company (Amplats).

JCI's gold, coal, ferrochrome and base metals assets, as well as a 10 per cent stake in both Amplats and UK-based Johnson Matthey, will be grouped together into JCI Limited, a focused mining house which will have a tentative asset value of R6.4bn.

Meanwhile, the group's industrial shareholdings, which include interests in media, food, beverages, property and the motor industry and together are valued at R6.8bn, will be grouped into the Johnnies Industrial Corporation Limited.

Anglo-American will then sell off its controlling shareholdings in the latter two companies to black investors, giving South African blacks significant stakes in both mining and industry for the first time.

In a special announcement the company called for proposals along these lines from "all interested parties" but said they "must illustrate that they represent a broad spectrum of black interests and those who play the leadership role should be fully supported by such a spectrum of interests".

Mr Retief said "exploratory negotiations" had begun with several black groups, but that given the complexity of the transactions he did not expect any final decisions to be made in the near future.

● In its final results as a single company, JCI has reported a sharp rise in attributable earnings to R344.5m for the six months to the end of December, up from R163.8m a year ago.

The bottom line was boosted by the inclusion of R146.8m in abnormal profits, most of which resulted from the group's sale of Bevcon shares to fund the purchase of additional shares in Omni Media. However, even without this, profit improved to R221.8m from R179.6m previously.

APN up 31% at A$21.3m

Australian Provincial Newspapers (APN), the Australian media group controlled by Mr Tony O'Reilly, the Irish newspaper operator, has announced a 31 per cent rise in net earnings to A$21.3m (US$15.7m) for 1994 from A$16.3m the previous year, writes Bruce Jacques.

APN, which operates newspapers in regional centres and capital city radio stations, lifted revenue by 36 per cent to A$191.6m.

Annual dividend is 7 cents a share against 5.7 cents.

Mr Lian Healy, chairman, said yesterday the results were strong, particularly considering drought in many of the company's markets which affected advertising revenue.

The result followed tax provision of A$10.3m, against A$9m last time, and interest expense of A$6.1m against A$5.9m.

Boral shakes up US operations

By Bruce Jacques

Boral, the Australian building products group, has announced a reorganisation of its US operations involving a sale to Beazer West, an offshoot of the UK-based Hanson group.

The company said yesterday it would sell Boral Resources, a California-based asphalt producer, to Beazer for an undisclosed sum. The company will also sell a disused brick plant in Virginia to Old Virginia Brick Company.

Boral has agreed to buy, also for an undisclosed sum, a 35 per cent interest in Resource Holdings, whose main subsidiary Monex Resources, distributes fly ash in southern and central US.

It said yesterday the Resource Holdings purchase, when combined with its existing Western Ash operation, would make the company "the industry leader in fly ash marketing and distribution in the US".

They said the transactions were consistent with Boral's stated strategy of concentrating on its core building materials operations in the US, including brick, clay, concrete roof tiles and gypsum wallboard.

North sees recovery after tumble

By Nikki Tait in Sydney

North, the Australian mining and forest products group which recently cut its name from North Broken Hill Peko, reported a sharp profits fall in the six months to end-December, although it saw a better outcome in the second half.

Operating profit before abnormals and tax was down by 3.2 per cent to A$96.6m (US$71.22m) in the period. Net operating profit after tax was 40 per cent lower, at A$51.9m.

The downturn came despite the A$4m net interest earned by the group, compared with a A$26.4m charge a year ago.

North said that lower prices for iron ore, uranium, and pine products, plus higher exploration expenditures caused the damage. It said earnings in the second half should be "marginally better" in the second half, although full-year net profit, pre-abnormals, would still be below last time's A$120m.

Goodman Fielder in link with Bunge

By Bruce Jacques in Sydney

Goodman Fielder, the Australian food group, is merging its Australian milling, baking and wheat starch businesses with those of Bunge, the South American food company.

Goodman said yesterday the merger would create a company with annual sales of around A$800m (US$589.8m), with Goodman holding 67 per cent and Bunge 33 per cent.

Mr Barry Weir, Goodman managing director, said the merged entity would rank as one of the world's largest milling and baking companies. The deal, which requires approval from Australia's Trade Practices Commission, follows the collapse of an earlier proposal for an asset sale which would have involved Bunge taking an equity interest in Goodman.

The merger continues the reorganisation of Goodman. Earlier this month, it sold its Asian operations for about A$177m.

Yesterday's announcement said the proposed merger would enhance the efficiency of the businesses through better capacity use.

"The milling and baking industries are in very competitive retail markets," Mr Weir said. He added that "the proposal would help the combined companies be more efficient by lowering costs through economies of scale".

Meanwhile, Mr Allan Fels, Trade Practices Commission chairman, indicated the two companies had been discussing the merger with the Commission before yesterday's announcement.

He said the deal would take priority over investigation of an earlier proposal for Goodman to rationalise its baking operations with Defiance Mills, an Australian industry rival.

● Tubemakers, the Australian steel products group, has raised its interim dividend from 6 cents to 7.5 cents a share after lifting net profit 26 per cent to A$36.7m from A$29.1mn in the December half. Sales rose 10 per cent to A$820m.

NEWS DIGEST

Formosa Plastics posts sharp growth

The Formosa Plastics group, Taiwan's largest private-sector conglomerate, saw sharp growth in 1994 due to recovery in the petrochemical industry and improvement in the performance of its US arm, writes Laura Tyson in Taipei.

Preliminary pre-tax profits climbed to about T$28bn (US$1.06bn) last year from T$17.7bn in 1993, the company said, on revenues which jumped to T$239.5bn from T$178.1bn. Forecasts for 1995 were not available.

Formosa Plastics is a leading producer of synthetic fibres and petrochemical products. The group's Taiwan-listed companies include Nan Ya Plastics, Formosa Plastics Corp, Formosa Taffeta and Formosa Chemical and Fibre. Formosa Plastics Corp is the world's biggest producer of PVC resin.

Prices of polyvinyl chloride resin and other materials rose steadily last year while prices for nylon filament and acrylic staple have also been rising, fuelled by a shortage of cotton.

The group's sixth naphtha cracker complex, projected to cost roughly US$8bn, is due to start production in 1998.

Star TV targets new service at SE Asia

Rupert Murdoch's Star TV announced it is to launch a new 24-hour satellite channel broadcasting to south-east Asia, Reuter reports from Hong Kong.

The channel, which will start on March 4, will use Indonesia's Palapa B2P satellite instead of Asia Satellite Telecommunications' Asiasat 1.

During the day, it will offer a combination of Prime Sports and Channel V music, unscrambled, geared to both English and Chinese-speaking audiences. In the evenings, the channel will carry movies that have been encrypted.

"Asiasat 1 cannot deliver existing programmes to all of Indonesia and the Philippines," said Mr Gary Davey, Star TV chief executive. Star TV is a unit of News Corp.

"Yet the demand for Star's services is now so strong in these countries that we have decided to make available the best of our international programming from the Palapa satellite."

Scott Paper to sell energy plant

Scott Paper has signed a letter of intent to sell its Chester, Pa, co-generation facility to CRSS, AP-DJ reports from Philadelphia.

The sale price is expected to be $170m, subject to certain adjustments. The transaction is subject to certain regulatory approvals and final documentation, Scott Paper said. The sale is expected to close in the second quarter.

The plant includes a 650,000-pounds-per-hour circulating fluidised bed boiler, a turbine generator capable of producing 59 megawatts of electricity, and associated auxiliary equipment.

Under terms of the letter of intent, Scott Paper will purchase from CRSS energy, steam and certain other services.

The sale is the latest step in the company's programme to shed non-strategic assets, Scott Paper said. Within the past three months, the company has raised more than $2bn by selling its S. D. Warren printing and publishing papers subsidiary, its Mobile, Alabama, energy complex, and certain other assets in health care and food service.

Slocan profits ahead at C$07.7m

Slocan, an integrated British Columbia forest products group, reported 1994 net profit of C$97.7m (US$70.04m), or C$2.56 a share, up from C$61.5m, or C$1.95, in 1993, including recovery of US timber duties and other special gains in both periods, writes Robert Gibbens in Montreal. Revenues were C$728m, against C$466m. Earlier this month, Canfor's C$650m bid for Slocan failed.

● Forex, a Quebec particleboard and timber producer, more than doubled 1994 sales to C$210m and net profit was C$33m, or C$4.37 a share, up from C$14.1m, or C$1.86, in 1993. The company exports most of its production to the US.

Ems-Chemie slips 28.5% at net level

Ems-Chemie, the Swiss speciality chemicals and plastics group, has reported a 28.5 per cent slide in 1994 consolidated net income following a sharp fall in its financial earnings, writes Ian Rodger in Zurich.

Sales advanced only 3.1 per cent to SFr857m ($683.68m) as the export-orientated group was hurt by the strong Swiss franc and the increase in petrochemical raw material prices.

Operating profits rose 8.4 per cent to SFr132m, but pre-tax profits fell 27.6 per cent after a 62.8 per cent slide in net financial earnings, attributed to weak stock markets.

Income at Tri Polyta rises 231%

Tri Polyta, Indonesia's main polypropylene manufacturer which has American depositary receipts listed on the US Nasdaq exchange, said its net income for 1994 rose 231 per cent, writes Manuela Saragosa in Jakarta. The advance came in spite of sharp price increases in its main raw material in the final quarter of the year.

Net income rose to Rp70.8bn ($32.2m) from Rp21.4bn a year earlier on revenues of Rp481.1bn. Net income in the fourth quarter fell 24 per cent on the comparable quarter in 1993 to Rp13.6bn largely because prices of propylene feed stocks, the raw material from which polypropylene is produced, increased sharply during the period.

"We remain concerned at the long term prospect for propylene supplies which may result in historically higher prices for feed stock," said Mr Henry Pribadi, Tri Polyta president and chief executive officer.

The company said construction of its third production train was on schedule.

Gehe gets timing right for UK move

David Blackwell considers the hostile bid for AAH after another problematical year

Gehe, already Europe's largest pharmaceuticals wholesaler, has chosen its moment well to move into the UK market.

AAH has once again not had a good year. Its last profits warning, made earlier this month, was complicated by the announcement that £3m of customer cheques had been stolen – although most of the money was quickly recovered.

The biggest problem has been its environmental services side, which runs street sweeping, rubbish bin emptying and grass mowing operations for local authorities. Mr Bill Revell, chief executive, blamed over-aggressive tendering on a small number of new local authority contracts. The management failed to take fully into account the impact of the May court ruling requiring companies taking over contracts from local authorities to take on the existing workforce on their existing pay and conditions.

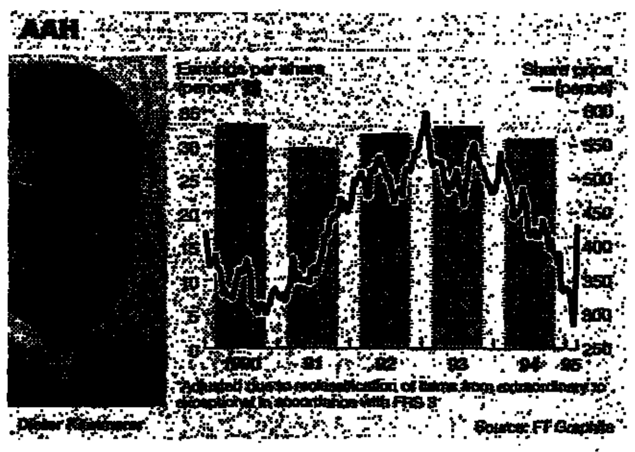
AAH estimated that the division would incur a loss of £3m for the 12 months to March 31, compared with £3.9m profits last year. Further, it warned that its distribution services business would report operating profits substantially below last year's £2.3m.

The latest warning followed a 14 per cent fall in interim profits to £16.4m, announced in December – then the group blamed its hire fleet of rubbish and street-sweeping trucks, which was chopped by two thirds to 110 vehicles.

AAH is always compared with UniChem, which has a similar chunk of the UK pharmaceutical wholesale market and a chain of about 300 chemists' shops. UniChem's market capitalisation is about £420m – well above the £377.4m offered by Gehe for AAH.

UniChem has stuck to its core business, while AAH has always been diverse. Its initials stand for Amalgamated Anthracite Holdings, a relic from when it was a joint venture with the National Coal Board.

Although it moved into pharmaceutical wholesaling in the mid-1970s, it was not until the late 1980s that that side of the business really started to grow.



The group has over the past few years been considerably rationalised, most recently disposing of its building supplies division to Travis Perkins.

Mr John Padovan, AAH chairman, yesterday described Gehe's offer as "opportunistic, given the difficulties we have been running through". The board is planning to defend itself by arguing that the group is being undervalued, and that the individual parts add up to more than the bid price. "We are confident of holding the bid off," he said, adding that the core healthcare division was *functioning* well.

AAH already has links with Gehe and its French operation, Office Commercial Pharmaceutique, which Gehe bought in 1993. The three have been involved in a joint venture on purchasing known as Tredimed, which was set up to take advantage of the single European market but has never come to much.

Mr Dieter Kämmerer, chairman of Gehe's management board, said yesterday that regulations in the pharmaceuticals industry were widely different, making European purchasing very restrictive. However, he believed that change would come, and was shooting for 25 per cent of the European market from a base of between 120 to 130 warehouses.

City analysts also believe that market harmonisation will come, although probably not until the turn of the century. Meanwhile, if Gehe's bid succeeds, it will have established itself in another main European market.

The AAH management looks *like having a tough struggle to* win support in the City, although the offer is seen as finely priced. "Some shareholders will see it as a salvation," said one analyst. "But some could see further value."

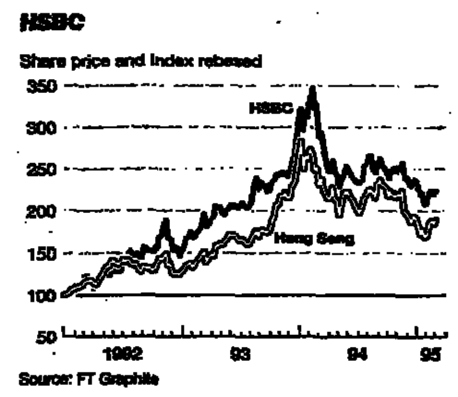
LEX COMMENT

HSBC seeks strategy

HSBC, with its big exposure to the fast-expanding economies of Asia, is supposed to be the UK banking sector's growth stock. But since the Midland acquisition, the group is yet to demonstrate it can expand organically. Pre-tax profits may have risen 23 per cent last year, but operating profits before provisions and disposals fell 15 per cent. HSBC's ability to depend on declining provisions for earnings growth has now probably run its course: that is particularly true given the low levels set aside for property in Hong Kong where the market is looking more than usually wobbly.

HSBC's strategy for growth looks less than convincing. True, it has successfully diversified geographically, reducing its dependance on Hong Kong. But the synergies between its rag-tag of businesses are unproven. The management insists it can expand rapidly in Asia, while advancing in Organisation for Economic Co-operation and Development countries by winning market share and improving productivity. However, Midland's recovery in the UK is complete, and although the First Direct telephoning business may be winning customers, it is yet to prove particularly profitable.

As for Asia, competition is intensifying.



HSBC's Hong Kong franchise is threatened by Bank of China group. Elsewhere, indigenous banks and international competitors are snapping at its heels. In the long term, the bank's best hope must be that it receives a licence to operate in China. In the meantime, HSBC must integrate its businesses more fully, replicating local successes elsewhere in its empire.

Seeking growth across borders as home market matures

By Katharine Campbell

Facing a largely mature market at home, Gehe has had to look abroad to maintain earnings growth. The AAH bid is the next logical step in consolidating its position as Europe's leading pharmaceuticals distributor, the company said yesterday.

Its previously most important cross-border acquisition came in 1993 when, against a counterbid from a US/French consortium, Gehe paid DM750m for Office Commercial Pharmaceutique, France's largest medicine wholesaler.

Thanks in good measure to OCP, Gehe expects group sales of about DM15.3bn for 1994, compared with DM10.2bn in 1993.

The wholesale business remains by far the largest of Stuttgart-based Gehe's four divisions, accounting for roughly DM13.5bn of last year's sales. The fastest growing area, however, is in home healthcare, built around Orkyn, France's dominant provider of equipment for post-hospitalisation equipment.

The rest of Gehe's activities are in industrial mail order, specialising in business-to-business office furniture and warehouse equipment; and drugs manufacturing.

The proposed AAH financing is similar to that employed in 1993, with a mixture of a rights issue and bank debt. As with OCP, Gehe hopes the rights issue will be non-dilutive in the first year. While the company is just over 50 per cent controlled by Haniel, a private company, its quoted shares have attracted a significant Anglo-Saxon following, making the company more sensitive to considerations such as dilution.

The bid does not mark the end of Gehe's European ambitions; it also has plans to expand in eastern Europe.

Wembley refinancing still in doubt despite new chairman

By Tim Burt

Wembley, the debt-burdened stadium group, was yesterday warned that the appointment of a new chairman to replace Sir Brian Wolfson may not be enough to persuade investors to back a £120m ($190m) refinancing package.

Although Guinness Peat Group, one of Wembley's largest preference shareholders, welcomed Sir Brian's decision to stand down, it indicated that it would support a rescue rights issue only if it was priced at a sizeable discount to yesterday's 5¼p closing price.

GPG, the UK investment vehicle of Sir Ron Brierley, the New Zealand financier, had earlier insisted on Sir Brian's demotion as the price for its support. "This is step in the right direction. But other issues still have to be resolved," said Mr Blake Nixon of GPG. "The rights issue will have to be at a price below 4p."

Its caution was echoed by one of the rival bidders.

Mr Stephen Julius of Stellican, the UK representatives of Apollo, said Sir Brian's move to deputy chairman was "not sufficient and if the right issue is priced at 4p it would be too rich".

Albright offer 3.6 times subscribed

By Motoko Rich

The public offer of shares in Albright & Wilson, the chemicals company being spun off by Tenneco of the US, was 3.6 times subscribed.

Applications for a total of 216.5m ordinary shares were received for the 47m shares on offer under a clawback arrangement which put 15 per cent of shares up for sale to the public. The applications represent a value of £324.8m ($516m) at the offer price of 150p.

Tenneco, the industrial conglomerate, said the offer price set by Barclays de Zoete Wedd, the sponsor, was "lower-than-anticipated" because of reductions in chemical stock valuations and weakening conditions in the market for UK new issues.

Mr Robin Paul, Albright's chief executive, said a "large majority" of the 125 institutions to which he marketed the shares have taken up the offer.

He said Albright would shortly be confirming its estimate for 1994 pre-tax profits of £40.7m, on a turnover of £642m.

Of the shares on offer, 1.5m have been allocated to qualifying employees and trustees of the profit sharing scheme and employees benefit trust.

Allocations to the public were as follows:
200-400 allocated in full
500-600 – 400 shares;
700-900 – 450 shares;
1,000-2,000 – 50 per cent;
2,500-3,000 - 45 per cent;
4,000-8,000 - 40 per cent;
9,000-50,000 - 3,500 shares;
60,000 and above – 4,000 shares, subject to no allocation for applications for 150,000 and above

Fisons plans radical changes

Fisons, the pharmaceuticals, scientific equipment and distribution company, is likely to reveal its reorganisation plans next week, writes Daniel Green.

The company yesterday repeated its intention to announce the results of its management review – the brainchild of Mr Stuart Wallis, chief executive – "on or about" the date of publication of its 1994 results, expected to be about March 7.

Mr Wallis made it clear last month that nothing was excluded from the review, including large scale disposals or a break-up of the company.

Each of Fisons' three divisions has problems. The drugs division has highly regarded asthma drugs, but is rated only about 60th in the world by sales.

The shares have fallen from a peak of 513p in 1991 to 127p last night, the highest level this year.

Trafalgar House order delay

By Andrew Baxter

A mystery problem on two US-built gas turbines is holding up commissioning of a £400m ($636m) power station built for Keadby Power, on South Humberside by John Brown Engineering, part of Trafalgar House.

The revelation is an embarrassment for John Brown and for General Electric, which is to take the turbines back to the US. It comes less than a week after Trafalgar House raised its hostile bid for Northern Electric and warned of an interim loss.

The delay raises the possibility of John Brown having to pay compensation to Keadby, although it is thought it could make its own claim on GE.

Last night, Trafalgar House described as "irresponsible and greatly exaggerated" a claim that penalties for the delay could run at £2.5m a week.

Pentos suspended as rescue talks go on

By Patrick Harverson

Trading in the shares of Pentos was suspended yesterday as the struggling retail group and its advisers attempted to put together a refinancing deal before a £55m ($87.5m) bank credit facility expires today.

The shares plunged from 8p to 4¼p when trading was halted.

Although the group's lead bankers, Barclays and Midland, are willing to roll over the facility, the retailer needs an additional £20m to continue trading. The banks, however, are reluctant to extend Pentos any further credit, and the company is in danger of being placed in the hands of the receivers if an alternative source of financing cannot be arranged by this afternoon's meeting of the Pentos board.

Three retailing companies were said to have talked to Pentos yesterday about acquiring part or all of the group. However, one company widely mentioned as a possible buyer, Barnes & Noble, the US book retailer, denied it had approached Pentos.

In its search for a rescuer, Pentos held talks yesterday with two venture capital groups, Schroder Ventures and Electra Investment Trust. It is believed that the venture capitalists were considering some sort of management buy-out that would take Pentos private.

COMPANY NEWS: UK

Lower debt provisions offset fall in treasury dealing activities

Midland rises 7% to £905m

By Alison Smith

A steep fall in dealing profits within treasury operations at Midland Bank, the UK high street banking arm of HSBC Holdings, depressed operating income and contributed to a sharp rise in the cost/income ratio, which reached 70.1 per cent.

Operating profit before provisions in 1994 slipped by one third to £925m, but the decline in provisions for bad and doubtful debts – from £670m in 1993 to £98m in 1994 – helped pre-tax profits to rise 7 per cent from £844m to £905m ($1.44bn).

Earnings per share were 73.1p, against 80.7p.

The treasury operations at Midland Global Markets and International Banking produced dealing profits of just £33m compared with £585m in 1993. Proprietary position, taking in interest rate derivatives and securities, incurred a loss of £73m, of which £72m related to the first half.

Describing the cost/income ratio as "unacceptably high", Mr Keith Whitson, chief executive, said some processing functions would be taken out of the UK branch banking network into central units, and that he expected a small drop in the 45,900 full-time equivalent staff employed.

Within the total, more staff would be deployed in the growing areas of the business, such as First Direct, the telephone banking subsidiary.

Mr Whitson said he also expected to see growth in the securities custody business, card services, and insurance sales. By the end of 1997, Midland's aim is that everyone with a Midland current account should have at least two other Midland products, and everyone with a Midland mortgage should have at least four other products.

Midland set aside £37m last year for provisions against possible compensation claims in respect of poor personal pensions advice to customers to opt out of or not to join an occupational scheme.


Trevor Humphries
Keith Whitson: cost/income ratio is unacceptably high

This brings the total provisions for pensions mis-selling to £45m, and comes alongside £5m for the cost of identifying potential victims as City regulators require.

Midland paid a dividend of £413m to HSBC from net profits of £595m. Retained profits of £182m (£243m), left the ratio of core capital to assets weighted by risk almost unchanged at 6.6 per cent.

UK court decision limits Butte $1bn suits

By Kenneth Gooding, Mining Correspondent

Five of the 77 defendants sued for more than $1bn by Butte Mining, a London listed company, have been granted injunctions in the UK High Court restraining Butte and Mr David Lloyd-Jacob, its chairman, from taking further action against them in the US.

The five are Simon Engineering and three of its subsidiaries (including Robertson Research) and Ernst & Young, the accountancy firm.

Butte's US complaint was dismissed on January 31 by a US Federal District Court judge in Montana. Butte is appealing to the Federal Appeals Court.

Mr Richard Catt, Simon's secretary and legal adviser, said the effect of his company's injunction was to restrain Butte and Mr Lloyd-Jacob from appealing against the Montana judge's decision or begining any new proceedings related to the subject matter of the Montana action in the US against Simon or its subsidiaries.

Meanwhile, said Mr Catt, the Robertson Group, was now free to restore an action it began against Butte in the UK High Court in July 1992.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Burlington	Yr to Dec 31	-	(-)	0.086	(0.21)	0.3	(1.3)	0.6	Apr 10	0.6	0.6	0.6
Capita	Yr to Dec 31	73.8	(50.2)	7.9	(5.46)	10.5	(7.9)	2.2†	Apr 27	1.7	3.3	2.55
Community Hospitals	6 mths to Dec 31	29.6	(27.2)	3.22	(2.95)	6.8	(6.6)	3	May 10	2.8	-	7.9
CrestaCare	Yr to Dec 31	36.4	(30.8)	6.03	(0.341)	2.6	(0.2L)	0.53	May 1	0.5	0.79	0.75
Dixon Motors	Yr to Dec 31	91.2	(64⁂)	4.47☆	(1.33)	15.4	(8.8)	2.5†	May 4	1.5	3.75	2.25
Essex Furniture §	6 mths to Dec 31	13.2	(7.47)	0.855	(0.703)	4.96	(4.06)	2.1	Apr 6	1.8	-	4.3
Go-Ahead	6 mths to Dec 31	48.7	(25.9)	3.18	(1.42)	6.24	(4.19)	1.6	Apr 27	-	-	-
Heritage §	6 mths to Oct 31	6.04	(6.59)	0.049	(0.115)	0.87	(2.14)	-	-	-	-	-
HSBC	Yr to Dec 31	-	(-)	3,166	(2,584)	79.6	(71.13)	19	May 30	16.5	27	23.5
Millgate §	Yr to Nov 30	5	(5.86)	0.54	(0.565)	1.9	(1.9)	-	-	-	0.5	-
Pegasus	Yr to Dec 31	4.81	(7.5)	0.243	(6.934♠)	12.7	(76.1)	3	July 7	3	5	5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BG Shin Nippon	Yr to Jan 31	138.9	(158.3)	0.255L	(0.133L)	1.13L	(0.83L)	-	-	-	-	-
Edinburgh Income	9 mths to Jan 31	36.13	(50.7‡)	0.406	(0.523)	2.7	(3.5)	1	Apr 18	1	-	4
Gartmore Scotland	6 mths to Jan 31	218.5	(237.1‡‡)	0.544	(0.644)	4.02	(4.76)	2.4★	May 26	2.4	-	10
JF Utilities	6 mths to Jan 31	100.3	(122.4)	1.14	(1.19)	3.75	(3.92)	1.72♥	Apr 14	1.6	-	7.2
Primadona	6 mths to Dec 31	288.02	(314.93)	0.147	(0.088)	3.26	(1.96)	2	Mar 30	2	-	4.5

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ⁂Comparisons proforma. ☆After £2.32m exceptional profit on disposal ♠After £6.15m exceptionals. ‡At April 30. ‡‡At July 31. ★Second quarterly; makes 4.8p to date. ♥Second quarterly; makes 3.44p to date.

Allders offers A$33m for McLeod

By Motoko Rich

A wholly-owned subsidiary of Allders, the department store and international duty-free retailer, yesterday launched a A$33m ($24.3m) bid for MS McLeod, the listed Australian company which owns Downtown Duty Free, the country's biggest duty-free retail business.

Shares in Allders fell 1½p to 207½p as the company said it would offer A$1 a share, less than two weeks after a Swiss-Air subsidiary offered 90 cents a share in a A$24.6m bid. Just over a month ago Lion City, a private holding company owned by the Singapore-based Jumabhoy family, announced plans to acquire a 45.7 per cent interest in the Australian group at 84 cents a share.

Allders is offering cash for both shares and 60 cent convertible notes, conditional upon 90 per cent acceptance for the shares and 87 per cent acceptance for the notes. About 46 per cent of the shares are owned by the trustees of the estate of MS McLeod and associated parties.

Allders, which derives 17.5 per cent of its duty-free sales from Australia, said it was seeking to expand its business in the region.

Mr Tony Collyer, finance director, said: "We perceive the Pacific region to have the strongest growth prospects in the next decade."

In 1991 the group attempted to secure more contracts in Australia but lost the bid for the duty-free concessions at Sydney and Perth international airports to McLeod, which also runs outlets in some city centres and suburban areas.

Allders currently controls 2.7 per cent of the issued share capital of McLeod.

Allders also yesterday announced it was moving into New Zealand with the acquisition of Regency Duty Free Stores and Made in New Zealand, two airport store chains, for a total of NZ$28m ($17.7m).

COMMODITIES AND AGRICULTURE

'Evidence points to big central bank gold sale'

By Kenneth Gooding, Mining Correspondent

Circumstantial evidence points to a recent big sale of gold by a central bank, according to Mr Andy Smith, analyst at the Union Bank of Switzerland.

He says in UBS's latest Precious Metals Outlook that "almost unprecedented excitement" has broken out in three important areas of the gold market:

- Gold lease rates (or the cost of borrowing gold) have doubled since the start of this year;
- There have been record speculative short positions in gold on the New York Commodity Exchange;
- There has been "remarkable activity" in gold options.

Mr Smith suggests a sale of gold by a central bank would account for all these things happening at the same time. He says market conditions are similar to those at the end of 1992, two months after which the Netherlands central bank announced it had completed a sale of 400 tonnes (12.86m troy ounces) of gold.

When that sale by the Netherlands was revealed in March 1993 it shook market confidence and sent the price to a seven-year low of $326.10 an ounce.

One-month gold lease rates reached 1.7 per cent earlier this year compared 0.9 per cent at the end of 1994. Last night, having slipped back a little, the rate was still at a relatively high 1.4 per cent while overnight lease rates were 2.5 per cent, showing there was still considerable nearby tightness in the market.

Mr Smith says the evidence fits a central bank sale because when an "official lender" becomes a "forward seller" lease rates are squeezed up. In order not to disturb the gold market, "price protection is arranged, with counterparties tying the market up in large options positions".

Mr Smith forecasts that the gold price will fall to $360 an ounce in the second quarter of this year but bounce back to $380 by this time next year.

- The coin sector may be a net seller of gold in 1995, for the first time in a peacetime year since the gold standard was introduced at the end of the 17th century, according to the CRU International metals consultancy group.

It points out that Japan's Ministry of Finance has a stock of 90 tonnes of Hirohito and Akihito gold coins, repurchased from investors, that it intends to melt down and sell off as bullion by the end of this month.

CRU says that, if the sales are discreetly executed, the bullion market could easily absorb this quantity of gold, "but such an event would scarcely be good news for the gold business".

Meanwhile, gold offtake for coin manufacture in countries outside the former communist bloc dropped in 1994 to between 60 and 65 tonnes, the lowest since the early 1970s. This compares with 240 tonnes annually in the mid-1970s and early 1980s.

Nutmeg producers to meet

By Canute James in Kingston

The world's two major nutmeg producers will resume talks in Jakarta next month on a new joint marketing agreement that they hope will stabilise and then increase world market prices.

The discussions between Aspin, the Indonesian producers' group, and the Grenada Co-operative Nutmeg Association, are seeking "an agreement based on our mutual interests, but which will not be a cartel," said Mr Cliff Robertson, chairman of the Grenada association.

Indonesia and Grenada, which account for 75 per cent and 23 per cent respectively of world nutmeg production, have steered clear of recreating their cartel, which collapsed six years ago.

Prices have declined significantly since, and next month's discussions will aim at an agreement to keep production volumes at just slightly under world market demand.

The down-side of cleaner air

Growers can no longer rely on free sulphur falling from the sky

FARMER'S VIEWPOINT

By David Richardson

It would be entirely true to suggest that farmers are hankering for the old days; when pea soup smogs enveloped London and the Home Counties each winter; when every house and factory chimney in the country spewed clouds of smoke into a darkened sky; when every gas works and electricity power station burned coal. But they are beginning to realise that those inconvenient, cough-making clouds had a sulphur lining.

Let me explain. In order to develop and yield to optimum potential farm crops need the correct balance of a number of nutrients. Foremost among them are nitrogen, phosphorus and potassium. It is only in recent years however that it has become clear to most farmers that sulphur is equally important.

The reason for this belated but basic knowledge is that until only a few years ago sufficient supplies for most crops fell on to the land from the air – the fall-out from air pollution. Farmers did not need to do anything to ensure adequate sulphur in the soil. It was already there as a result of atmospheric deposition following the burning of fossil fuels which, millions of years before, were formed from vegetated material containing sulphur.

But the Clean Air Act, which over a period of years, reduced drastically the amount of coal burned both domestically and industrially, brought this accidental bonus to an end. It also, of course, virtually eliminated unhealthy smog.

It has been estimated that between 1970 and 1992 emissions of sulphur into the atmosphere from all UK sources including transport and industry were cut from 6.423m tonnes a year to 3.482m tonnes. Recent legislation to bring about the continued reduction of SO_2 from power station flue gases will lead to further cuts in emissions over the next few years.

Asthma sufferers and environmentalists can take some comfort from those figures. But many farmers (who may also fall into the above categories) need to do something about it. For the lower overall depositions of sulphur are irregularly spread, according to proximity to power stations and the like, and crops and grass in some areas are increasingly becoming vulnerable to sulphur deficiencies in the soil. It will, furthermore, be a continuing problem because, like nitrogen, sulphur leaches from, or washes through, the soil after heavy rain and therefore must be regularly replenished.

Realisation of this, however, is only beginning to dawn on most farmers.

Meanwhile scientists at the government research station at Rothamsted in Hertfordshire have estimated that about 75 per cent of the UK now receives under 20kg of atmospheric sulphur per hectare per year. That is less than half the amount needed to produce a full crop of oilseed rape, insufficient for either silage grass or cereals and barely enough for potatoes or sugar beet.

Yield reductions as a result of sulphur deficiency are already being experienced in some regions, especially in Scotland, East Anglia and the south west of England. In addition, it is known that the quality of some grains and grass can suffer if soil sulphur levels fall too low. One third of the UK's farmland is said to be at high or moderate risk.

Diagnosis of the problem can be by soil test or leaf tissue analysis, although in practice the results of the latter usually come too late for remedial action to b taken. It is far better, the experts say, to ensure that sufficient sulphur is applied to the soil so that crops can draw on it as they grow through the summer.

The solution can be relatively cheap. So-called "top dressings" of nitrogen fertiliser are routinely applied to cereals, oilseed rape and grass in the early spring. All the major fertiliser manufacturers have recently begun to offer variations on this containing sulphur in appropriate concentration according to crop and soil type. The cost of sulphur applied to this way can be as little as £2 a hectare.

Yield responses can be dramatic. One Norfolk farmer who had trials done on his farm reported an increase in yield of over 70 per cent where sulphur was applied. He has concluded that he must now apply sulphur routinely in preparation for growing all vulnerable crops – and most are vulnerable.

Significantly, in an age when applying anything to the land that has a chemical sounding name is frowned upon by some. It is claimed, however, that sulphur can be environment-friendly. Scientists have established that for optimum growth and nutrient use by plants the balance between nitrogen and sulphur in the soil should be about 15-1. When this is achieved plants absorb and use the nitrogen to maximum efficiency, thereby reducing the leaching of nitrates which can cause pollution.

The regular application of modest amounts of sulphur to the soil would therefore appear to be both a cheap and acceptable solution to what could otherwise turn out to be an expensive problem.

MARKET REPORT

London silver prices touch 14-month lows

London SILVER prices tumbled yesterday afternoon to the lowest levels since December 1993, before substantial support stemmed the fall.

Liquidation of silver holdings could have been triggered by recent options-related business, traders said, and by concern about the prospect of stop-loss selling orders being triggered. Investment funds then jumped on the bandwagon, they added.

By the close the cash price stood at 453.50 cents a troy ounce.

"Support seems to be holding in the 450 cent area, with further help down to around 444 cents," said one. "But if that goes then it will be headed for 435 cents." Others thought a breach of the 450-cent mark could precipitate a decline into the 420-420 cent area.

The GOLD market fell back with silver but showed reluctance to follow it to any great degree and limited its afternoon loss to just over a dollar. By the close it had recovered to $376.10 an ounce, up 20 cents overall.

All base metal prices came under late selling pressure on the London Metal Exchange but ALUMINIUM looked most vulnerable, ending after hours "kerb" trading just $11 off the 1995 low of $1,840 a tonne for delivery in three months.

"Aluminium is again trending lower with the potential for more trade and forward selling in the market," one trader said.

The COPPER market ended up on the day but off the highs in subdued trade. Nearby positions moved into small discounts after being at premiums for most of the day. Nearby premiums, a reversal of the normal situation, indicate tightness of supplies available for nearby delivery.

ZINC prices took a battering just ahead of the close, the three months delivery position ending $18 lower at $1,030 a tonne.

World zinc smelter stocks rose 10,440 tonnes to 335,520 tonnes in January 1995 over December 1994, according to the European Zinc Institute, and that weighed on the market.

At the London Commodity Exchange robusta COFFEE futures ended a bullish session with sharp gains after drawing encouragement from New York's strong performance.

The May delivery contract ended $73 up at $3,125 a tonne after peaking at $3,140, the highest level reached by the second position since November 22.

"All the news is constructive right now. London has been outperforming New York until today and now New York has finally made its break," said one trader.

Tight robusta supplies, dry weather conditions in Latin American producer countries and Brazil's stocks release policy have all contributed to the bullish picture in London, dealers explained.

Compiled from Reuters

Bigger world cotton crop forecast

The International Cotton Advisory Committee yesterday projected 1995-96 world cotton production at 19.52m tonnes and estimated 1994-95 output at 18.47m, reports Reuters from Washington.

World exports were projected at 6.39m tonnes for 1995-96 and estimated at 6.48m for 1994-95.

Cotton imports by China were estimated at 750,000 tonnes in 1994-95, or 11 per cent of the 6.6m-tonne world total, the committee said in a report. Because of uncertainty about future production and procurement prospects, the Chinese government was apparently trying to replenish state reserves, it said.

China was also forcing non-Chinese owned mills to import supplies in its effort to regain control of the cotton system and foster price stability by building stocks.

"The failure of government cotton companies to procure more than 75 per cent of the 1994-95 crop may be intensifying official fears of economic and political instability," the ICAC said.

Heavy buying in China was a key factor in the current price strength, but 1995-96 imports might be lighter if government officials decided that no further additions to stocks are necessary, according to the report.

The committee put world consumption at 18.7m tonnes in 1994-95 and said that strong world economic growth might lift 1995-96 consumption to 19.35m tonnes.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1824-5	1862-3
Previous	1836-7	1874-5
High/low		1878/1851
AM Official	1828-30	1869-70
Kerb close		1850-1
Open int.	220,598	
Total daily turnover	38,234	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1810-20	1850-60
Previous	1825-35	1864-5
High/low		1875/1860
AM Official	1825-30	1865-70
Kerb close		1850-5
Open int.	2,759	
Total daily turnover	677	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	573-4	592-3
Previous	575-9	594-8
High/low	570/569	598/587
AM Official	570-1	589-90
Kerb close		589-90
Open int.	38,720	
Total daily turnover	8,629	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7980-90	8120-5
Previous	8115-20	8260-5
High/low	8090/7940	8230/8075
AM Official	8015-25	8185-90
Kerb close		8070-5
Open int.	58,192	
Total daily turnover	11,277	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5355-65	5450-60
Previous	5385-95	5480-5
High/low		5470/5390
AM Official	5340-50	5435-40
Kerb close		5420-30
Open int.	19,947	
Total daily turnover	5,654	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1015-6	1040-1
Previous	1024-5	1047-8
High/low		1050/1029
AM Official	1015-6	1040-1
Kerb close		1029-30
Open int.	100,373	
Total daily turnover	33,757	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2873-4	2872-3
Previous	2855-6	2853-4
High/low	2865.5/2865	2876/2848
AM Official	2865-5.5	2862-3
Kerb close		2863-4
Open int.	226,725	
Total daily turnover	62,730	

■ LME AM Official £/$ rate: 1.5821
LME Closing £/$ rate: 1.5823

Spot:1.5843 3 mths:1.5826 6 mths:1.5797 9 mths:1.5754

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Mar	132.70	-0.05	135.10	132.40	16,361	8,082
Apr	131.85	-	133.75	131.30	1,447	78
May	131.05	+0.20	132.80	130.60	19,412	4,453
Jun	129.60	+0.20	130.20	130.20	575	10
Jul	128.15	+0.20	129.80	127.95	4,393	313
Aug	126.65	+0.15	-	-	378	-
Total					81,428	11,886

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	375.90-376.30		
Opening	376.90-377.30		
Morning fix	376.80	238.330	486.064
Afternoon fix	375.00	237.196	464.916
Day's High	376.90-377.30		
Day's Low	375.40-375.80		
Previous close	375.70-376.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.76	6 months	5.21
2 months	4.81	12 months	5.56
3 months	4.87		

Silver Fix	p/troy oz.	US cts equiv.
Spot	293.75	465.00
3 months	298.30	471.65
6 months	303.40	478.80
1 year	315.15	494.80

Gold Coins	$ price	£ equiv.
Krugerrand	377-380	239-242
Maple Leaf	386.35-388.80	-
New Sovereign	88-91	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	376.6	-0.2	-	-	3	4
Apr	378.0	-0.2	378.8	377.0	72,275	43,867
Jun	381.0	-0.3	382.1	380.0	29,129	2,202
Aug	384.5	-0.4	384.4	384.0	16,651	112
Oct	388.1	-0.5	387.5	387.5	4,534	-
Dec	391.9	-0.6	393.3	391.4	12,772	156
Total					173,141	47,016

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	411.2	-1.4	412.5	408.5	18,672	2,625
Jul	414.2	-	414.5	413.5	5,774	48
Oct	418.2	-1.4	-	-	1,333	14
Jan	422.2	-1.4	423.0	423.0	361	20
Total					24,140	2,707

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	154.70	-0.85	156.00	153.00	1,527	580
Jun	156.50	-1.30	157.80	154.75	5,318	475
Sep	157.50	-1.40	158.50	157.50	488	6
Dec	158.80	-1.40	-	-	55	50
Total					7,388	1,111

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	448.9	-13.8	464.0	443.0	24,461	35,964
Apr	451.3	-13.8	-	-	-	-
May	454.0	-13.8	469.5	448.0	52,779	31,103
Jul	459.4	-13.8	475.0	455.0	14,369	1,938
Sep	464.4	-14.0	480.0	460.0	11,034	160
Dec	472.5	-14.4	488.0	467.0	15,835	708
Total					140,857	69,502

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	18.71	+0.02	18.75	18.67	90,352	29,217
May	18.51	+0.02	18.55	18.48	51,582	12,450
Jun	18.35	+0.03	18.36	18.32	37,689	6,838
Jul	18.22	+0.02	18.22	18.19	18,687	50
Aug	18.12	-	18.10	18.10	12,765	654
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	108.20	+0.60	108.30	109.00	[illegible]	75
May	111.00	+0.65	111.35	110.90	[illegible]	196
Jul	112.00	+0.60	112.50	112.00	[illegible]	85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TEA

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1057	+1	1068	1051	23,513	1,822
May	1049	-	1063	1045	23,352	2,900
Jul	1050	-2	1065	1046	12,084	580
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]	[illegible]	[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VOLUME DATA

[illegible]

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	73.300	+0.075	73.800	72.975	43,888	5,773
Jun	66.925	-0.025	67.475	66.775	16,665	1,489
Aug	63.975	-0.150	64.400	63.900	6,742	723
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	40.575	-	40.700	40.350	2,570	132
Dec	41.100	+0.050	41.100	40.850	2,382	143
Feb	41.700	-0.050	41.860	41.600	812	63
Total					29,775	3,062

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	42.175	+0.425	42.650	41.600	2,001	898
May	43.000	+0.675	43.450	42.350	4,046	1,168
Jul	43.275	+0.725	43.750	42.800	1,647	120
Aug	40.475	+0.675	41.250	40.450	431	15
Feb	50.950	-	-	-	72	3
Mar	50.000	-	-	-	9	5
Total					8,219	2,394

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1800	100	155	59	102
1900	55	109	112	153
2000	-	75	-	216
■ COPPER (Grade A) LME	May	Aug	May	Aug
2700	-	172	-	76
2800	120	120	49	120
2900	68	80	96	177
■ COFFEE LCE	May	Jul	May	Jul
3000	230	298	107	223
3050	201	273	128	248
3100	175	251	152	276
■ COCOA LCE	May	Jul	May	Jul
1025	55	75	31	50
1050	42	63	43	63
1075	32	52	58	77
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1650	70	87	9	62
1700	36	66	23	91
1750	14	49	52	124

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$16.64-6.69z	+0.23
Brent Blend (dated)	$17.38-7.40	+0.28
Brent Blend (Apr)	$17.11-7.13	+0.21
W.T.I. (1pm est)	$18.73-8.75z	+0.24

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$173-175	
Gas Oil	$149-150	+1.0
Heavy Fuel Oil	$107-109	
Naphtha	$171-172	+2.0
Jet fuel	$168-169	-0.5
Diesel	$153-154	

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

Gold (per troy oz)♣	$376.10	+0.20
Silver (per troy oz)♣	453.5c	+6.0
Platinum (per troy oz.)	$410.25	-8.75
Palladium (per troy oz.)	$155.00	-1.50
[illegible]	[illegible]	[illegible]

JOTTER PAD

CROSSWORD

No.8,698 Set by ALAUN

ACROSS

1 Will have it that sins are absolved in it (6)
4 Resorting to that chic small talk (8)
9 They're lucky to be writing on a daily (6)
10 He aims to become boss (8)
12 Anyone in any doubt about the signal? (3,5)
13 Standing to see Peter hurtle round the bend (6)
15 Go up north with a band (4)
16 Also aim to capture the soldiers (7)
20 A cat, my dear? It's a dog (7)
21 In the in-tray? Bother! (2-2)
25 Show a picture you carry around with you (6)
26 Prepares to go but doesn't go to the rendezvous (6,2)
28 Endorses the first and second (8)
29 Dwindles away when the Queen takes her corgis out (6)
30 Taking on in a fight and winning (8)
31 Finding it a novel experience to be without a job (6)

DOWN

1 The boss is arrested (2,6)
2 Pitch and toss outside in the garden perhaps (8)
3 Only child who's naughty and cunning in concealing it (6)
5 Hello! A lot of little stones! (4)
6 Attending these days, so that's taken care of! (5,3)
7 Become violent and I have to hide in the shed (3,3)
8 A land bird (6)
11 The convict, turning, cuts and runs (7)
14 Sets about the centre half in various ways (7)
17 Photographing the execution (8)
18 Do they throw things at fishermen? (8)
19 Calm, decided on the wording of the letter (8)
22 Go out with a bang (6)
23 The sweetheart lost ring and the pearls (6)
24 Getting a half of bitter in a pub that's shut up (6)
27 Intend to shorten the piece of wood (4)

Solution to Saturday's prize puzzle on Saturday March 11.
Solution to yesterday's prize puzzle on Monday March 13.

Italian prices drop in flight to quality

By Graham Bowley in London and Lisa Branstan in New York

Italian government bonds fell sharply yesterday in a flight to quality triggered by the collapse of Barings, the UK merchant bank.

The yield premium over German government bonds widened to 578 basis points from 533 points at Friday's close as the lira fell on the foreign exchanges in a flight to the "safe haven" of the D-Mark.

Worries about inflation, the poor state of the country's public finances and domestic political troubles also weighed on prices.

The Italian March futures contract on Liffe fell by 1.42 points to 96.31.

Data showing a pick-up in producer and wholesale prices added to fears triggered last week following a sharp rise in consumer prices that inflation is accelerating.

Traders said there is unease that last week's interest rate increase prompted by the strong inflation data has added further to the country's already considerable debt servicing costs. There are also fears that last week's emergency budget measures may not be fully implemented.

■ Spanish government bonds were also hit as the peseta weakened against the D-Mark.

The yield spread over German bunds widened out to 452 basis points from 435 basis points on Friday. The futures contract on the Spanish futures exchange settled down 0.35 point at 84.15.

■ German government bonds moved higher, benefiting from their safe haven status in times of crisis.

This boosted shorter-dated maturities in early trading before longer-dated maturities caught up as the session progressed, when yields were about 8 basis points lower across the curve. In late trading, March bund futures on Liffe were up 0.71 points at 91.41.

■ UK government bonds rose slightly, despite the Barings crisis and weakness of the pound.

The long gilt futures contract on Liffe settled at 101 7/16, up ¼ point. The yield spread over bunds widened slightly to 152 basis points.

"We have been held up by the strength of the bund market and possibly by the consideration that in times of crisis funds flow to the government bond market," said Mr Chris Anthony, gilt strategist at ABN Amro, Hoare Govett.

The long end of the gilt yield curve was the best performing area, with prices up around ⅝ point. Five-year gilts rose by about ¼ point.

GOVERNMENT BONDS

There was also an upward flurry in short sterling, said Mr Anthony, "on the belief that the Bank of England would not be at pains to raise interest rates in circumstances like these and would want to continue to provide market liquidity".

■ French government bonds rose despite the weakness of the franc on the foreign exchanges.

The yield over bunds widened to 66 basis points before narrowing back in to 63 basis points, broadly unchanged on the day.

The short-end of the yield curve underperformed, with yields rising by about 3 basis points. However, 10-year yields dropped 5 basis points, leading to a flattening of the curve.

Traders said an unpublished internal RPR opinion poll showing Mr Jacques Chirac, the Gaullist mayor of Paris, leading prime minister Edouard Balladur in the presidential contest could affect prices today.

■ US Treasury bonds were boosted yesterday morning by investors looking for safe havens in the wake of the collapse of Barings, but the forthcoming wave of political and economic developments released this week proved more important to the market.

At midday, the benchmark 30-year Treasury was up 1/16 at 101 13/16 to yield 7.506 per cent. At the short end of the market, the two-year note gained 1/32 to 100¾, yielding 6.790 per cent.

Five-year notes rose in early morning trading in part due to the Barings losses in Japanese derivatives, which caused turmoil on Asian equity markets, but by midday they had fallen slightly.

On Wednesday the Commerce Department is to release its revision to the 1994 fourth-quarter gross domestic product figure. A January estimate put GDP growth at 4.5 per cent and the median forecast has it holding steady. Some economists, however, believe the GDP estimate could be revised upward, and that might affect the market, which has priced in an economic soft landing.

Traders were also looking ahead to the release of February jobless figures, which are due a week from next Friday, and the balanced budget amendment, which the Senate is to vote on today. The measure, which bond traders believe would force fiscal austerity, has already passed the House of Representatives.

Another factor weighing on the market was the dollar's continued slide against the D-Mark and the Japanese yen. In morning trading, the dollar fell to DM1.4561 from DM1.4618 late on Friday and to Y96.73 from Y96.75.

BIS plans survey on derivatives markets

By Richard Lapper

The world's biggest central banks are to take action to improve the transparency of international derivatives markets, according to a report published yesterday by the Bank of International Settlements in Basle. Banks and monetary authorities from 26 countries will conduct a wide ranging survey of international derivatives markets.

The survey, which will be carried out in conjunction with an existing survey of activity in the foreign exchange markets, will involve a system of regular reporting by the main internationally active intermediaries in derivatives markets. The report also recommended infrequent surveys of a larger number of participants.

The survey should help the work of the Basle Committee on banking supervision which is assessing banks' activities in derivatives – financial instruments which reflect the value of underlying financial assets.

The report notes that while the information requirements of the committee will differ in certain respects "there is a clear intention among the authorities concerned to minimise increases in reporting burdens by avoiding inconsistencies and duplication in data collection".

Recent reports by the G10 central banks noted that some aspects of derivatives markets can "adversely affect market liquidity and asset price volatility". They also pointed to a "lack of transparency in derivatives markets" which can make it difficult for "market participants and authorities alike to make informed judgments about the scale, structure and distribution of risk in these markets".

Future of Baring eurobonds in doubt

By Conner Middelmann

Market participants yesterday were uncertain on the future treatment of three outstanding eurobonds issued by Barings, the failed UK merchant bank.

The bonds effectively stopped trading yesterday as the bank went into the hands of administrators Ernst & Young.

"It all depends on what happens to Barings – whether it gets sold off in lots of little pieces or whether a core will remain which could continue servicing the bonds," said one syndicate official.

Barings has issued a perpetual bond callable in 2024, and two issues of floating-rate notes, both due in 2001.

The £100m of 9.25 per cent perpetual bonds were launched in January 1994, with Hoare Govett acting as lead manager. They closed at 83.875 last Friday.

A $130m issue of FRNs due January 2001 and paying an interest rate of 1/16 over the six-month London interbank offered rate (Libor), was launched in January 1986. The notes closed at 96.40 on Friday.

The second FRN issue, $150m of notes due March 2001 paying three-month Libor plus ⅛ launched in 1994, closed on Friday at 99.53.

Barings also has several issues of irredeemable preference shares outstanding, which pay a fixed dividend.

They include £2.25m of the 5.75 per cent shares, £1.5m of 7.25 per cent, £1.5m of the 8 per cent first preference shares, £12.5m of the 8 per cent second preference shares and £40m of the 9.75 per cent preference shares.

The floating-rate notes are currently worth some 15 to 25 cents on the dollar, estimates Gary Klesch, chairman of Klesch and Company, a trading house which specialises in distressed debt.

However, none of the bonds appeared to have changed hands yesterday, he said. "Everyone's in shell-shock – those bonds were trading near par only last week."

Unfavourable swap opportunities keep issuers at bay

By Conner Middelmann

The recent lull in eurobond issuance continued yesterday, with traders complaining that unfavourable swap spreads were keeping issuers out of the market.

INTERNATIONAL BONDS

"The dollar is where there's most investor demand, but there's not much arbitrage opportunity for dollar issues," said one syndicate official.

The collapse of Barings, the merchant bank, served as an additional excuse for inactivity, although it was not expected to directly affect most eurobond market participants.

Standard & Poor's, the international credit rating agency, said the ratings on UK investment banks Morgan Grenfell, Robert Fleming, Schroders, J. Henry Schroder Wagg and SG Warburg Finance are not affected by the instability created by the placing of unrated Barings into administration.

Triple A rated Südwestdeutsche Landesbank braved a tumbling lira market to issue L150bn of bonds with a 2½-year maturity. The bonds, which pay a coupon of 11.5 per cent, were issued at 100.895.

"We had some lead orders and saw some good demand for the issue, though it was not exactly a blow-out," said an official at lead manager Paribas Capital Markets, reporting mainly Italian demand.

However, some bankers said they declined invitations to the deal due to volatile market conditions: Italian government bonds fell by more than a point and the lira hit a new low.

In the dollar sector, Cariplo, the Italian savings bank, issued another $150m tranche of its floating-rate notes due in November 1999 via Swiss Bank Corporation.

The paper, which pays ⅛ above Libor was priced at 99.80, offering a discounted margin of 17.5 basis points over Libor.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Cariplo(a)‡	150	(a1)	99.80R	Nov.1999	0.20R	-	Swiss Bank Corp.
Korea Intl.Merchant Bank(b)★‡	50	(b1)	100.00	Mar.2000	0.33	-	KEB International
SWISS FRANCS							
ESRA(c)★	100	5.75	101.75	Dec.1999	1.50	-	Merrill Lynch Cap.Markets
ITALIAN LIRE							
Sudwestdeutsche LB(d)	150bn	11.50	100.895	Sep.1997	1.375	-	Paribas Capital Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $150m. a1) 3-mth Libor +⅛%. (1st coupon: 2-mth Libor +⅛%). b) Putable in 3 yrs at par. b1) 6-mth Libor +40bp. c) European Sovereign Repackaged Assets. Shot 1st coupon. d) Long 1st coupon.

Mexico lifts restrictions on peso futures trading

The central bank of Mexico has informed the Chicago Mercantile Exchange that it will lift restrictions that have prevented investors from trading futures and options on the Mexican peso, the exchange announced, AP-DJ reports from Chicago.

The move clears the way for the exchange to obtain swift regulatory approval to reintroduce its peso futures and options contracts, CME chairman Mr Jack Sandner said. The CME expects to launch the peso contract in April.

Last month, the CME filed with the Commodity Futures Trading Commission to reintroduce currency and options based on the peso. The contract is still being reviewed by the CFTC, but Mr Sandner says he expects approval shortly.

A Mexican peso contract was one of the first financial futures contracts traded at the CME, from May 1972 to November 1985.

The CME discontinued the contract when the Mexican central bank imposed restrictions prohibiting the transfer of pesos to foreign currency for purely financial transactions. Because the CME could no longer offer physical delivery of pesos under the restrictions, the exchange elected to delist the contract.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	93.5900	+0.580	10.06	10.23	10.29
Austria		7.500	01/05	99.2000	+0.290	7.61	7.63	7.71
Belgium		7.750	10/04	96.8700	+0.240	8.22	8.33	8.45
Canada *		9.000	12/04	102.1000	+1.000	8.67	8.95	9.50
Denmark		7.000	12/04	88.6500	+0.200	8.77	8.85	9.01
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	96.9500	+0.540	7.94	7.99	8.13
Germany Bund		7.375	01/05	100.1800	+0.450	7.34	7.41	7.51
Ireland		8.250	10/04	83.0000	+0.150	8.80†	8.79	8.78
Italy		9.500	01/05	82.4000	−1.990	12.68	11.99	12.08
Japan	No 119	4.800	06/99	103.8020	−0.320	3.80	3.83	3.87
	No 164	4.100	12/03	96.4090	+0.620	4.35	4.56	4.67
Netherlands		7.750	03/05	101.5200	+0.270	7.51	7.54	7.67
Portugal		8.875	01/04	85.4000	+0.100	11.85	11.85	11.54
Spain		10.000	02/05	89.6600	−0.380	11.80	11.60	11.81
Sweden		6.000	02/05	71.9740	−0.420	10.72	10.81	10.93
UK Gilts		6.000	08/99	90-25	+7/32	8.55	8.59	8.60
		8.500	12/05	98-31	+6/32	8.65	8.67	8.66
		9.000	10/08	102-29	+2/32	8.63	8.64	8.64
US Treasury *		7.500	02/05	101-18	+16/32	7.28	7.43	7.71
		7.625	02/25	101-11	+15/32	7.51	7.59	7.77
ECU (French Govt)		6.000	04/04	84.9500	+0.230	8.42	8.42	8.57

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime. Treasury Bills and Bond Yields

Prime rate	9	One month	5.57	Two year	6.81
Broker loan rate	6½	Two month	5.91	Three year	6.94
Fed.funds	6	Three month	5.86	Five year	7.10
Fed.funds at intervention	-	Six month	6.14	10-year	7.29
		One year	6.43	30-year	7.51

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.84	112.42	+0.48	112.44	111.56	114,819	136,555
Jun	110.84	111.66	+0.56	111.68	110.84	6,165	26,657
Sep	110.16	111.00	+0.58	110.16	[illegible]	1,753	4,039

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.90	91.32	+0.62	91.42	90.78	143346	169015
Jun	90.40	90.83	+0.62	90.91	90.30	20682	52735
Sep		90.33	+0.62			0	191

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
9050	0.69	0.91	1.10	1.20	0.36	0.58	0.77	1.37
9100	0.43	0.65	0.84	0.98	0.60	0.82	1.01	1.65
9150	0.24	0.44	0.62	0.79	0.91	1.11	1.29	1.96

Est. vol. total, Calls 14153 Puts 10651. Previous day's open int., Calls 117256 Puts 89936

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.45	96.07	-1.66	97.53	95.96	63948	41944
Jun	96.40	95.06	-1.65	96.40	95.05	6267	7799

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9500	1.97	2.19	1.91	3.13
9550	1.72	1.96	2.16	3.42
9600	1.48	1.79	2.42	3.73

Est. vol. total, Calls 7307 Puts 2133. Previous day's open int., Calls 14250 Puts 10575

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	84.40	84.15	-0.36	84.58	84.10	51,490	47,434
Jun	83.35	83.69	-0.15	84.35	83.35	659	2,433

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-03	101-14	+0-04	101-24	101-01	50659	64269
Jun	101-16	101-23	+0-04	102-01	101-11	17000	42486

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
101	1-16	1-39	1-60	2-48	0-34	0-57	1-14	1-52
102	0-44	1-04	1-25	2-15	0-62	1-22	1-43	2-19
103	0-20	0-42	0-61	1-50	1-38	1-60	2-15	2-54

Est. vol. total, Calls 681 Puts 3758. Previous day's open int., Calls 17399 Puts 26350

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.50	82.14	+0.28	81.50	81.50	2,549	6,834
Jun	81.84	81.86	+0.20	81.84	81.80	300	1,658

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	103-07	103-10	+0-10	103-25	103-05	365,049	260,691
Jun	102-23	102-24	+0-09	103-08	102-20	32,205	105,852
Sep	102-09	102-11	+0-08	102-22	102-08	1,466	9,503

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	110.72			110.72	110.48	554	0
Jun	109.80			109.80	109.54	2582	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Feb 27	Day's change %	Fri Feb 24	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	118.50	+0.06	118.43	1.22	2.53
2 5-15 years (22)	139.37	+0.12	139.19	2.12	2.06
3 Over 15 years (9)	154.23	+0.16	153.99	0.58	4.05
4 Irredeemables (6)	177.95	−0.06	178.10	2.45	1.12
5 All stocks (60)	136.00	+0.11	135.85	1.59	2.65
Index-linked					
6 Up to 5 years (2)	189.15	+0.08	188.99	0.64	1.45
7 Over 5 years (11)	174.27	+0.04	174.21	0.79	0.60
8 All stocks (13)	174.90	+0.04	174.83	0.77	0.86

	Low coupon yield Feb 27	Feb 24	Yr. ago	Medium coupon yield Feb 27	Feb 24	Yr. ago	High coupon yield Feb 27	Feb 24	Yr. ago
5 yrs	8.60	8.62	6.33	8.63	8.64	6.54	8.78	8.80	6.65
15 yrs	8.53	8.54	7.01	8.65	8.66	7.12	8.86	8.86	7.34
20 yrs	8.46	8.49	7.12	8.65	8.66	7.12	8.76	8.77	7.35
Irred.†	8.52	8.52	7.20						

	Inflation 5% Feb 27	Feb 24	Yr. ago	Inflation 10% Feb 27	Feb 24	Yr. ago
Up to 5 yrs	3.68	3.71	2.53	2.32	2.34	1.63
Over 5 yrs	3.89	3.89	3.26	3.70	3.70	3.06

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 27	Feb 24	Feb 23	Feb 22	Feb 21	Yr ago	High*	Low*
Govt. Secs. (UK)	91.18	[illegible]	91.40	90.86	90.67	101.91	107.04	89.54
Fixed Interest	109.72	[illegible]	109.82	109.58	109.69	122.97	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20
Gilt Edged bargains	97.8	107.8	120.2	95.0	77.0
5-day average	97.5	95.8	95.2	102.6	122.8

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Demise of Barings adds to D-Mark strength

The abrupt demise of Barings, the UK merchant bank, yesterday served only to accentuate further the strength of the D-Mark which has been a feature of markets recently, *writes Philip Gawith.*

The principal victim was again the lira, which plummeted to a low of L1,167 against the D-Mark before being rescued by Bank of Italy support. It later closed at L1,050.

Currency weakness extended across the board. The peseta touched an all-time low of Pta88.48, the Franc fell to FFr3.5375, its lowest level since October 1993, and the Swedish krone fell below SKr5 for the first time since last September.

The Barings factor appeared to be limited mainly to sterling. It served only to hasten what had anyway looked likely at the end of last week.

Sterling had steadily, over the past few weeks, moved down towards its previous all-time low of DM2.3130, reached in February 1993. It fell below this level in Asian trading, opening in London at DM2.2995, three pfennigs below its Friday close of DM2.3308.

■ While foreign exchanges could have done without the further blow to confidence that came from the demise of Barings, its problems were already well in place.

Indeed, the stability of UK interest rates yesterday suggests that Barings is unlikely to be much of a factor even for sterling. The focus of sterling trading is now likely to shift towards the debate on Europe tomorrow, and a possible confidence vote that might follow.

Market sources were generally complimentary about the Bank of England's handling of the Barings crisis. The Bank's assurance that it would take the necessary steps to ensure market liquidity had the right soothing effect. Three month LIBOR traded unchanged at 6⅞ per cent.

The perception that the Bank of England might have its hands tied in the short term, from raising interest rates, helped the futures market. Short sterling futures rallied, with the June contract finishing ten basis points firmer at 92.45.

Sterling also traded very steadily once the initial fall below the previous low had taken place. After opening in London at 86.5, from last Friday's close of 87.1, the trade weighted sterling index recovered to close at 86.8.

One trader commented: "Sterling isn't really weak. It is the D-Mark."

■ There were numerous symptoms of exchange rate tension in Europe. Most conspicuous was the support for the lira from the Bank of Italy. There were unconfirmed rumours that the central banks of Spain and Portugal also supported their currencies.

The fall of the lira was particularly precipitate. Traders said that at one point it fell by L20 without a single price being quoted. Other observers cited spreads of ten lire as evidence of how illiquid the market had become.

Another example of tensions came from the activities of the Bank of France in the French money markets. Although there was no movement in official rates, the Bank allowed call money to rise by ⅛ per cent to 5⅜/11 per cent, the first time this rate has moved since July. Analysts said the Bank was trying to calm nerves, given the speed of the franc's decline in recent days.

German money markets also had an eventful day, with the Bundesbank taking the unusual step of offering an extra two-day fixed repo in order to alleviate end of month money market pressures.

Mr Johann Wilhelm Gaddum, deputy president of the Bundesbank, said the extra tender was intended to calm markets, particularly currency markets, given the current tensions there.

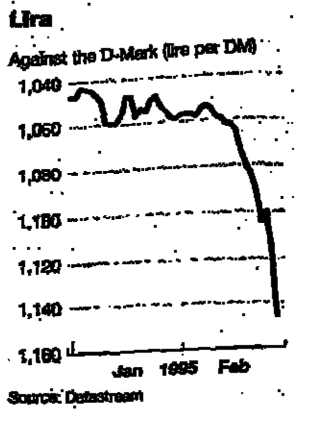
■ Currency market sentiment remains very bearish. The peseta is now 12.24 per cent below its central rate against the Dutch guilder. In terms of the exchange rate mechanism of the EMS, this figure can only reach 15 per cent if the peseta is to stay in the system.

One analyst said the EMS was in "severe trouble", with the only possible solution being heavy intervention by the Bundesbank. This, however, seems unlikely. Most European currencies are weak either because of political uncertainty or structural economic problems.

It is doubtful whether intervention, or a monetary policy move from the Bundesbank, can offer more than a short term respite.

Lira

Against the D-Mark (lire per DM)



Source: Datastream

■ **Pound in New York**

Feb 27	—Latest—	— Prev. close —
£ spot	1.5826	1.5885
1 mth	1.5821	1.5878
3 mth	1.5806	1.5865
1 yr	1.5683	1.5738

■ **OTHER CURRENCIES**

Feb 27	£	$
Hungary	180.074 - 180.470	113.620 - 114.028
Iran	2779.00 - 2782.00	1748.00 - 1750.00
Kuwait	0.4705 - 0.4710	0.2874 - 0.2978
Poland	3.8026 - 3.8092	2.4036 - 2.4080
Russia	7038.98 - 7043.70	4448.00 - 4451.00
U.A.E.	5.8103 - 5.8136	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Feb 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.2194	-0.1763	118 - 269	16.4301	16.1556	16.2069	0.9	16.1732	1.1	-	-	107.4
Belgium	(BFr)	47.5637	-0.4446	453 - 821	47.7400	47.3350	47.5267	0.9	47.4387	1.1	46.9387	1.3	109.2
Denmark	(DKr)	9.1767	-0.059	719 - 815	9.1953	9.1166	9.1715	0.7	9.1644	0.5	9.0915	0.9	107.7
Finland	(FM)	7.1769	-0.0217	721 - 856	7.1890	7.1040	-	-	-	-	-	-	85.6
France	(FFr)	8.1314	-0.055	288 - 340	8.1651	8.1054	8.1281	0.5	8.1231	0.4	8.0785	0.7	108.0
Germany	(DM)	2.3072	-0.025	059 - 085	2.3118	2.2948	2.3041	1.8	2.2984	1.5	2.2638	1.9	112.3
Greece	(Dr)	367.662	-1.473	364 - 001	368.210	365.239	-	-	-	-	-	-	69.4

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.24[illegible]	-0.119	470 - 520	10.2805	10.2275	10.239	1.2	10.217	1.3	10.0985	1.5	106.5
Belgium	(BFr)	30.057[illegible]	-0.303	520 - 620	30.1200	29.9720	30.047	0.4	30.012	0.6	29.942	0.4	106.3
Denmark	(DKr)	5.7991	-0.0415	973 - 008	5.8142	5.7773	5.7989	-0.2	5.8001	-0.1	5.7991	0.0	106.5
Finland	(FM)	4.5368	-0.017	338 - 398	4.5508	4.4993	4.5348	0.5	4.5386	-0.2	4.5331	0.1	84.5
France	(FFr)	5.1385	[illegible]385	380 - 390	5.1570	5.1340	5.1383	0.0	5.1392	-0.1	5.141	0.0	107.2
Germany	(DM)	1.4580	[illegible]	575 - 585	1.4627	1.4525	1.4567	1.1	1.4542	1.1	1.444	1.0	110.6
Greece	(Dr)	232.350	[illegible]	200 - 500	233.000	231.900	234.75	-12.4	239.1	-11.6	257.35	-10.8	68.5
[illegible]			-0.0003	501 - 506	3.7506	3.7501	3.753	-0.8	3.7583	-0.6	3.7679	-0.5	-
[illegible]			-0.0004	501 - 506	1.4530	1.4501	1.4454	4.1	1.4401	2.8	1.4166	2.3	-
[illegible]			-0.0117	005 - 020	3.6095	3.5968	3.6148	-4.5	3.6495	-5.4	3.8188	-6.0	-
[illegible]			+0.035	000 - 200	3.9200	3.8900	3.9375	-8.4	3.9875	-7.9	4.22	-7.9	-
[illegible]			-0.4	300 - 400	786.600	785.700	789.35	-4.6	792.85	-3.3	811.35	-3.2	-
[illegible]			-0.0408	240 - 260	26.4195	26.3150	26.345	-0.9	26.365	-0.9	-	-	-
[illegible]			-0.005	400 - 500	24.9800	24.9300	24.9575	-0.6	24.9715	-0.4	24.9975	-0.2	-

SDR rate for Feb 24. Corrected rate for 22nd Feb: 1.49296. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 24: Base average 1990=100

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.60	93.65	-0.04	93.68	93.57	1183	9739
Jun	93.10	93.20	+0.02	93.21	93.08	1772	8176
Sep	92.68	92.82	+0.04	92.83	92.68	682	3905
Dec	92.38	92.43	+0.05	92.44	92.38	192	2153

* LIFFE futures also traded on APT

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9300	0.16	0.04	0.06	0.02	0.59	1.10
9325	0.02	0.01	0.03	0.13	0.81	1.32
9350	0	0	0.01	0.36	1.05	1.55

Est. vol. total, Calls 8350 Puts 6977. Previous day's open int., Calls 222154 Puts 196318

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

Notice to Holders of the Warrants to Subscribe for Shares of Common Stock of THE YOKOHAMA RUBBER COMPANY, LIMITED (the "Company")

Issued in Conjunction with the Issue of U.S.$180,000,000 2 per cent. Notes 1996

NOTICE OF CHANGE OF DIVIDEND ACCRUAL PERIOD

In respect of the above Warrants and in pursuant to Clause 4(F)(iii) of the Instrument, notice is hereby given as follows:

On 24th February, 1995, the Board of Directors of the Company resolved to submit to the General Meeting of the Shareholders to be held on 30th March, 1995 a proposal for the amendment to the Articles of Incorporation to change its fiscal year end from 31st December to 31st March as an agenda to be determined therein. Subject to approval of such amendment at the General Meeting of the Shareholders of the Company, the Dividend Accrual Period defined in Condition 4 of the Terms and Conditions of the Warrants shall mean the three-month period from 1st January, 1995 ending on 31st March, 1995 and thereafter each six-month period ending 31st March or 30th September in each year.

Subject to approval of such amendment at the General Meeting of the Shareholders of the Company, Shares issued upon exercise of any Warrant during the period from 1st January, 1995 to 31st March, 1995 shall entitle the holders thereof to participate in full in any dividend on the Shares with respect to the entire three-month Dividend Accrual Period from 1st January, 1995 to 31st March, 1995, and Shares issued upon exercise of any Warrant on or after 1st April, 1995 shall entitle the holders thereof to participate in full in any dividend on the Shares with respect to the new Dividend Accrual Period, in accordance with Condition 4 of the Terms and Conditions of the Warrants.

Unless further notice to the different effect is given by 7th April, 1995, the holders of the Warrants may assume that the foregoing approval of the General Meeting of the Shareholders of the Company has been obtained.

THE YOKOHAMA RUBBER COMPANY, LIMITED

By: Dai-Ichi Kangyo Trust Company of New York as Disbursement Agent

Dated: 27th February, 1995

Oesterreichische Postsparkasse

US$100,000,000 Lira libor linked corridor notes

For the interest period 30 August 1994 to 28 February 1995 the notes will bear interest at 4.50%. Interest payable value 28 February 1995 will amount to US$1.00 per US$1,000 note US$10.00 per US$10,000 note and US$100.00 per US$100,000 note. The number of Accrual Days for this period was 8.

Agent: Morgan Guaranty Trust Company

JPMorgan

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		80½	-47½	117	80½	8.31	19.8	-
9¼pc Non-Cum Prf		44½	-113¾	137½	3	1.90	-	-
Cater Allen		427	-11	[illegible]	416	138.2	8.3	8.6
Close Bros		239	-3	286½	203	219.8	4.1	19.4
Gerrard & Nat		415	-23	615	385	202.1	7.2	12.0
Hambros		225	-8	473	209	387.1	8.3	13.8
7½pc Cv Pf		104xd	-1½	181	99½	128.8	8.4	-
Joseph (L)		398	-3	443	380	28.7	5.7	11.3
King & Shaxson		94	-3	170	94	18.4	12.0	9.3
Kleinwort Benson		578xd	-27¼	695	424	771.8	4.6	11.2
Rea Bros		60	-3	79	53	24.9	2.0	16.8
Schroders		1480	-23	1574	1050	1,489	1.6	13.8
N/V		1340	-15	1498	1043	309.8	1.7	12.3
Singer & Fried		82	-1	114	75	150.2	4.8	10.8
Union		79	-5	169	79	21.0	7.1	7.3
Warburg (SG)		683	-35	1012	569	1,582	4.0	12.5
Wintrust		205xd	-6	290	203	18.3	6.2	14.4

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

مكزامت الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

	Notes	Price	+ or –	1994/95 high	low	Yld Gr's	NAV	Dis or Pm(-)
Approved by the Inland Revenue								
Aberforth Split Inc	N	90xd	—	97	84	12.9	–	–
Cap		183	-1	225	180	–	252.3	35.4
Units	N	272xd	—	328	249	4.2	252.3	3.9
Abtrust Pf Inc	♣N☐	98	-2	145	98	16.3	87.2	-11.0
Zero Div Pf		165½	—	167½	155½	–	–	–
Archimedes Inc	N	232	—	270	220	14.3	–	–
Cap		393	-5	433	355	–	617.9	38.4
City of Oxford	♣N☐	39½xd	—	49	30	20.5	25.4	-16.7
Warrants		8	—	18	6	–	–	–
Zero Div Pf		99½	—	104¼	96½	–	–	–
Contra-Cycl Inc	♣N	56xd	—	60	53	20.5	–	–
Cap	☐	18	-½	25½	18½	–	40.8	53.4
Zero Div Pf		85	—	87½	80	–	–	–
Dunbee Inc	♣N	76xd	—	95	76	13.1	–	–
Cap		33	—	49	30	–	82.5	47.2
Derby Inc	HN	158xd	—	173	147	13.5	–	–
Cap		289	-5	328	268	–	444.2	35.2
Drayton Blue Chip	♣N☐	56	-2	100	56	10.8	54.4	-2.9
Zero Pf		162	—	169	154	–	–	–
Edinburgh Income	♣N☐	45	-1	61	45	11.4	38.7	-16.4
Zero Div Pf		61¼	-¼	62	55½	–	–	–
Exmoor Dual	♣N	23	-1	44	23	8.6	29.6	22.3
Inc	N	61xd	-1	98	61	10.5	–	–
Zero Cpn Pf		244	—	262	241	–	–	–
Finsbury Smllr Co's	♣N	158xd	—	188	158	2.7	162.4	2.1
Zero Pf		181	-½	192	177	–	–	–
Fleming Geared Inc	♣N	186xd	-3	251	186	1.5	238.2	20.7
Warrants		111	-3	220	111	–	–	–
Cm Prg Pf		158	—	185	154	10.8		–
Fleming I & C Inc	♣N☐	71½xd	-1	101½	69½	8.6	76.6	6.7
Units	N☐	117½xd	-1½	160	116	6.2	117.3	-2
Zero Div Pf		46¾	—	48	41¼	–	–	–
Fleming Int High	♣N☐	29½xd	-½	52½	29½	16.1	33.4	11.7
Zero Div Pf		100	—	103	96¾	–	–	–
Fr & Col Smll Sp Inc	♣N☐	61½	—	76	61	7.6	–	–
Capital	☐	63½	—	69½	41	–	66.3	4.2
Units	N☐	123	-1	138	105½	3.8	125.8	2.2
Friends Prov Ethical	♣N☐	58xd	-1	109	56	14.8	52.8	-5.7
Units	N☐	153xd	—	208	153	8.3	164.2	6.8
[illegible]								

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's
TVX Gold	♥	487¼p	-¼	488½p	338¾p	644.6	–
Toronto-Dom		9⅝	-¼	11¼	8⅞	2,828	4.2
Trans Can Pipe	♥	8⅛	+⅛	10⅛	7⅞	1,926	4.5

SOUTH AFRICANS

	Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29	—	£34	£13½	1,884	2.5	21.2
Barlow	♣	£5⅝	—	£5¾	£3⅞	1,138	1.7	20.7
Gold Flds Prop R		143xd	—	152	75	14.8	7.4	ɸ
MK Props		85	—	98	85	3.42	13.9	–
SASOL	♥	477	—	582	290	2,751	2.9	–
SA Brews	†	£14⅞	—	£18⅞	£10	4,111	1.9	23.5
Tiger Oats		775	+50	835	538	1,166	1.9	18.6
Tongaat-Hulett	†h	782	—	*782	358¼	894.5	1.8	22.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is *indicated after the name.*

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock *quoted.*

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior *charges at par value, convertibles converted and warrants exercised if* dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK *stocks through the SEAQ International system.*
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ *Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved* exchange.
- ♣ Free annual/interim report available, see details below
- ✣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ *Price at time of suspension*
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Figures based on IIMR 'Headline Earnings' P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

z - Previous day's price.
§§ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
‡ - Only available to charitable bodies.
xd - Ex-dividend.

LONDON STOCK EXCHANGE

MARKET REPORT

Initial losses reduced as confidence revives

By Terry Byland, UK Stock Market Editor

Fears that the collapse of Barings, Britain's oldest merchant bank, might threaten the global banking network receded in London yesterday afternoon and UK shares recovered a good part of their early losses. Financial sector stocks closed lower but the broad range of the market rallied with sterling as both the UK chancellor of the exchequer and the governor of the Bank of England sought to reassure the City investment community.

Share prices were marked down heavily as soon as London opened and marketmakers faced the implications of the Barings disaster, the 3.8 per cent drop by the Tokyo market and the fall by sterling to a record low against the D-Mark. Within moments of the official opening, the FT-SE 100 Index was down nearly 50 points, having abandoned the 3,000 level. But there was very little selling indeed, with investors and marketmakers content to stay on the sidelines.

The stock market steadied cautiously with the help of firmness in British government bonds and a rally in sterling. The Footsie loss was trimmed to around 14 points ahead of Wall Street's opening but there was little buying support.

The picture finally brightened when Wall Street, after some uncertainty, managed to hold on to the Dow Jones Industrial Average 4,000 mark in early trading, showing a decline of only three points in UK hours. UK traders hoped this would set the stage for calmer trading in Far Eastern markets.

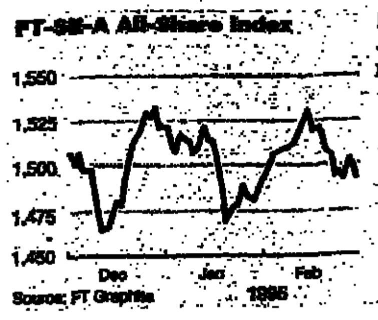
At the close the FT-SE 100 had rallied to 3,025.3 for a loss on the day of only 12.4 points. Trading volume was still low, however, and dealers agreed that London remains vulnerable to developments in currencies as well as in New York and Tokyo securities markets overnight. Equity prices were slipping back again at the close.

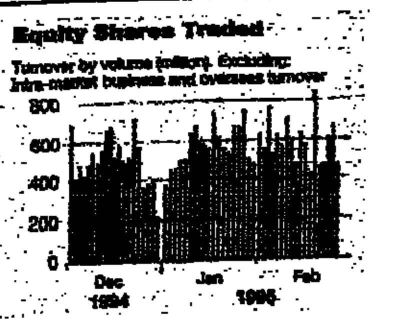
Hardest hit in the initial markdown were the UK merchant banks, which have been under a cloud for some time because of perceived losses in securities trading. Traders feared that any bank which had done business with Barings would now have to wait a long time for its money. Yet more unsettling was the possibility that other banks might have suffered losses in the derivatives markets which brought Barings down. Either possibility could affect confidence in any bank seen as at risk.

Concern over the Barings situation dominated the market, pushing individual company developments to the sidelines. Shares in HSBC drew little benefit from market satisfaction with a good trading statement showing reduced bad debt losses and improved UK activities.

The recovery in the FT-SE 100 Index was guided by similar moves in the March futures contract, which had also dipped below 3,000 in early trading. But the FT-SE Mid 250 Index, lacking a lead from the future, finished 23.1 down on the day at 3,384.3.

Seaq trading volume of 393.9m shares was unimpressive, confirming that share price falls were the result of marking down operations by marketmakers rather than genuine selling pressure. On Friday, 471.3m shares traded through Seaq for a retail value of £1.24bn.





Indices and ratios

FT-SE 100	3025.3	-12.4
FT-SE Mid 250	3384.3	-23.1
FT-SE-A 350	1509.8	-7.1
FT-SE-A All-Share	1492.75	-7.40
FT-SE-A All-Share yield	4.15	(4.15)
FT Ordinary index	2297.0	-8.3
FT-SE-A Non Fins p/e	17.00	(17.07)
FT-SE 100 Fut Mar	3016.0	-11.0
10 yr Gilt yield	8.72	(8.75)
Long gilt/equity yld ratio:	2.10	(2.11)

Best performing sectors

1 Health Care .... +1.9
2 Extractive Inds .... +0.6
3 Life Assurance .... +0.4
4 Pharmaceuticals .... +0.3
5 Household Goods .... +0.3

Worst performing sectors

1 Banks, Merchant .... -3.5
2 Tobacco .... -1.8
3 Other Financial .... -1.3
4 Investment Trusts .... -1.3
5 Gas Distribution .... -1.2

Pressure on bank sectors

The banking sectors of the stock market were given a severe mauling by the demise of Barings as both marketmakers and the big institutions tried to pinpoint the trading houses likely to suffer from the fallout.

The clearing banks, merchant banks and broking houses with substantial derivatives trading divisions were always in the firing line and suffered badly during initial dealings before stabilising as the day wore on.

Analysts specialising in the financial services area said the London market showed no signs of panicking at the opening, marking share prices lower and heading off any attempted selling. "After an initial small flurry of selling, the marketmakers got control and ensured an orderly market," said one dealer.

In the merchant banks, the big derivatives market operators were obvious targets for the bears, with S.G. Warburg ending a net 35 lower at 683p after heavy turnover of 1.8m. Kleinwort Benson dropped 27 to 578p xd and Gerrard & National fell 23 to 415p. Smith New Court lost 15 at 427p.

Among the clearers, HSBC, additionally burdened by worries about its exposure to Far Eastern markets, where Barings' losses were concentrated, eased 6 to 660p.

National Westminster receded 20 to 484p but Barclays held up well and closed only a fraction off at 616p.

The investment trusts under the Barings umbrella fell sharply. Baring Stratton gave up 9 to 189p, Baring Tribune 13 to 302p, Baring Emerging European lost 7 cents to 51 cents and the warrants 2 to 22 cents.

AAH soars

Shares in AAH, the north of England pharmaceuticals distributor, soared in an otherwise lacklustre session as the group rejected a hostile £377m bid from Gehe, the German pharmaceuticals wholesaler.

The shares registered the day's biggest gain in the market in percentage terms as they raced 122 ahead to close at 431p, well above the 420p a share value of the offer.

AAH has issued two profits warnings since December and dealers said the bid was not a complete surprise. One commented: "It seems very likely that they will get it. However, there was a suggestion that Gehe may have to raise its offer to win control." Volume stood at 3.5m at the close.

The bid for AAH sparked interest for several other stocks. These included Uni-Chem, 7 firmer at 253p, and Lloyds Chemists, 8 higher at 290p ahead of next week's set of interim figures.

. There were widespread losses across the regional electricity companies (recs), still reflecting the market's disappointment with the terms of the increased bid by Trafalgar House for Northern Electric.

Falls were reduced by the close, however, and some of the so-called takeover targets in the sector finished only marginally easier on the day. Yorkshire Electricity, regarded by many analysts as a takeover target for Hanson, settled only a penny off at 831p after turnover of 1.2m.

Drugs and medical equipment group Fisons was in demand and improved 2 to 127p in trade of 5.2m, as the market waited for details of the group's reorganisation, which is said to include disposals worth £500m. The plan is to be announced with the group's results expected on March 7. NatWest Securities has warmed to the stock and moved its recommendation from sell to neutral.

Talk that Zeneca may yet emerge as the white knight for Wellcome, currently under siege from Glaxo, was once again heard and the shares shed 5 to 874p in trade of 2.1m. The group reports final figures on Thursday and NatWest Securities urged investors to buy the stock. It said: "The results themselves should show a continuation of the trends experienced in the first half, with particularly strong profits growth from the agrochemicals division and a sharp decline in the level of interest payable combining to produce solid growth in earnings."

Vague talk of a rival for Retrovir, Wellcome's leading herpes drug, led to some initial weakness in the stock. It recovered to close unchanged at 1011p. Glaxo ended 4½ ahead at 633½p as it held a presentation at Hoare Govett.

Composite insurers put on a good performance, given the early steep decline in the market. General Accident, reporting preliminary figures this morning and expected to produce pre-tax profits of around £400m and a 5 per cent increase in the dividend total, eased 2 to 544p.

Some of the life assurance stocks, meanwhile, made further strong progress after last week's news of the agreement between United Friendly and the Department of Trade and Industry on the treatment of the "orphan fund".

Refuge and Britannic, seen by many analysts as likely to go down the same route as United Friendly and to have the potential to provide big dividend increases for shareholders, were the best performers. Refuge jumped 13 to 335p and Britannic 7 to 512p.

Hopes for a solid start this week to the engineering results season underpinned gains at Vickers and British Aerospace, while Siebe and TI Group – up 3 apiece – were picked out for their currency earner status as sterling wilted.

Vickers reports full-year results tomorrow and in recent days some analysts have begun to edge up profits estimates. In December the stock market consensus for Vickers looked to be around £40.5m. But Smith New Court now plumps for £43m to £44m and expects to hear good news about US motor trading. The shares put on 2½ at 173½p.

BAe finished 1½ firmer at 466p ahead of Thursday's results statement, while Siebe closed 3 higher at 525p and TI 3 harder at 336p.

Up 9 on Friday, United Newspapers continued to find favour, adding 4 at 507p on the back of perceived nominal exposure to the sector's cover price wars.

National newspaper titles are likely to account for less than a tenth of this year's operating profits while the group's sensitivity to improving advertising flows, through its range of media-related magazines, looks set to provide an additional earnings cushion.

Among broadcasters, Carlton Communications fell back 18 to 873p but BSkyB, recently hit by rumours of a planned formation by US interests of a potential new competitor, managed to hold at 249½p in 2.2m turnover, against the 270p touched a week ago.

Bus group Go-Ahead jumped 5 to 187½p following strong interim results which held out the prospect of a 5p total dividend. This is possibly a penny more than most analysts had built into their yield models.

Associated British Ports slipped 3 to 265p ahead of tomorrow's full-year results, while British Airways faced a 3½ shortfall at 384½p in front of Friday's traffic flow numbers for February.

In food manufacturing, Tate & Lyle firmed 4 to 437p, helped by a recommendation and profits upgrade from Hoare Govett.

Buying from income funds helped ICI shrug off recent weakness and the shares gained 8 at 700p.

Improved interim figures from Essex Furniture saw the shares improve 9 to 128p.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 27	Feb 24	Feb 23	Feb 22	Feb 21	Yr ago	*High	*Low
Ordinary Share	2297.0	2305.3	2314.3	2301.3	2298.2	2564.1	2713.6	2238.3
Ord. div. yield	4.65	4.63	4.59	4.62	4.63	3.63	4.66	3.43
Earn. yld. % full	7.16	7.14	6.96	7.03	7.04	4.84	7.16	3.82
P/E ratio net	16.54	16.59	16.93	16.82	16.79	22.40	33.43	16.54
P/E ratio nil	16.06	16.10	16.14	16.03	16.00	23.35	30.80	16.00

*For 1994/5. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2276.2	2281.4	2279.7	2284.1	2289.2	2295.0	2294.4	2295.9	2298.2	2300.2	2275.5

	Feb 27	Feb 24	Feb 23	Feb 22	Feb 21	Yr ago
SEAQ bargains	21,030	21,580	22,168	21,012	20,351	33,844
Equity turnover (£m)†	-	1241.0	1568.4	1382.8	1096.7	1382.1
Equity bargains†	-	29,317	29,249	28,351	27,245	36,619
Shares traded (mil)†	-	475.2	646.3	605.8	479.7	585.9

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	302	Total Highs	16	Total contracts	31,689
Total Falls	1,322	Total Lows	306	Calls	14,478
Same	1,219			Puts	17,211

Feb. 1 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2999.0	3016.0	-11.0	3030.0	2991.0	14412	54856
Jun	3003.0	3023.0	-11.5	3034.5	3001.0	2712	13726
Sep		3046.0	-11.5			0	173

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3385.0	3385.0	-26.0	3385.0	3385.0	250	3303
Jun	3405.0	3405.0	-26.0	3405.0	3405.0	250	700

■ FT-SE 100 INDEX OPTION (LIFFE) (*3024) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Mar	174	6	126	8½	83½	19	48	36	24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	180	17½	141	28	105	42	75	62½	50½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	195½	27½	160½	41	126½	57	96½	77	71½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	207	38½	179½	51	136	69	109½	88	85½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec†			281½	97			199½	134			[illegible]	[illegible]				

Calls 8,775 Puts 8,136

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2825 C	2825 P	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P
Mar	193	2½	148½	5½	103½	13	65	24	35½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	198	13½	158	22	121	34½	88	52	62½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	229	23	179½	32½	143	48	110	63	82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	230	36	192	47	158½	62	127	80	99½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept†	267	54½			196½	82			141	[illegible]						

Calls 1,378 Puts 2,986 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§10	F.P.	16.5	13¼	12½	Bath Press	12½	-½	-	-	-	-
§125	F.P.	21.1	131	126	GET Group	128		N-	-	-	11.1
-	F.P.	22.1	87	84	Inv Tst of Inv Tsts	85	-1	-	-	-	-
-	F.P.	2.91	59	56	Do. Warrants	58	-1	-	-	-	-
-	F.P.	25.6	55	48¼	Lazard Birla India	49¼		-	-	-	-
-	F.P.	3.09	32½	28	Do Warrants	29¾		-	-	-	-
35	F.P.	22.1	38	34	MCIT S Cap	34		-	-	-	-
35	P.P.	23.4	36	36	MCIT S Inc	36		-	-	-	-
-	F.P.	17.0	130	70	Pentex Oil	85		-	-	-	-
150	F.P.	16.1	160	150	Photobition	158		RN6.0	2.0	4.8	11.3
-	F.P.	4.40	11¼	10½	Wessex Trust	11		-	-	-	-

FT GOLD MINES INDEX

	Feb 24	% chg on day	Feb 23	Feb 22	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1757.22	-0.5	1766.42	1768.18	1957.86	2.14	2337.90	1637.91
■ Regional Indices								
Africa (16)	2712.75	+0.5	2698.53	2695.52	2516.48	4.97	3711.87	2304.45
Australasia (7)	2000.80	+1.1	1979.15	1899.77	2544.16	0.82	2951.49	1788.20
North America (11)	1440.61	-1.5	1461.92	1474.76	1707.67	0.78	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Feb 27: 192.1 ; day's change: -6.2 Year ago: 209.4 † Partial.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 27	Day's chge%	Feb 24	Feb 23	Feb 22	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3025.3	-0.4	3037.7	3048.3	3019.5	3326.1	4.39	7.61	15.41	14.49	1160.50
FT-SE Mid 250	3384.3	-0.7	3407.4	3401.0	3400.5	3960.0	3.77	6.53	18.24	11.25	1279.26
FT-SE Mid 250 ex Inv Trusts	3395.5	-0.6	3416.7	3408.7	3410.4	3972.9	3.92	7.05	17.00	11.38	1281.71
FT-SE-A 350	1509.8	-0.5	1516.9	1520.8	1509.2	1684.8	4.25	7.37	15.97	6.73	1184.79
FT-SE-A 350 Higher Yield	1534.7	-0.4	1541.4	1545.7	1538.0	1692.1	5.26	7.96	14.77	10.23	991.85
FT-SE-A 350 Lower Yield	1484.5	-0.5	1492.1	1495.4	1480.1	1644.6	3.20	6.77	17.39	3.30	980.70
FT-SE SmallCap	1693.38	-0.8	1706.54	1707.35	1706.03	2043.98	3.43	5.98	20.94	6.00	1328.20
FT-SE SmallCap ex Inv Trusts	1673.34	-0.7	1684.53	1685.30	1684.49	2022.63	3.63	6.67	19.04	5.51	1316.61
FT-SE-A ALL-SHARE	1492.75	-0.5	1500.15	1503.71	1493.09	1675.49	4.18	7.26	16.27	6.55	1191.19

■ FT-SE Actuaries All-Share

	Feb 27	Day's chge%	Feb 24	Feb 23	Feb 22	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2606.05	-0.1	2608.53	2646.17	2646.25	2588.63	3.85	6.29	20.07	8.68	1055.56
12 Extractive Industries(7)	3420.14	+0.6	3400.51	3432.15	3399.14	3930.51	3.54	5.69	21.73	0.00	943.78
15 Oil, Integrated(3)	2607.39	-0.2	2612.08	2656.02	2661.75	2509.46	4.05	7.19	17.33	11.39	1081.36
16 Oil Exploration & Prod(14)	1901.86	-0.6	1913.54	1916.61	1913.81	1880.71	2.57	‡	‡	0.00	1100.36
20 GEN INDUSTRIALS(276)	1787.26	-0.5	1796.20	1805.71	1800.74	2156.73	4.38	8.10	19.36	4.46	921.57
21 Building & Construction(36)	921.06	-0.8	928.68	924.20	918.22	1521.31	4.23	6.93	18.76	0.91	727.96
22 Building Matls & Merchs(31)	1676.87	-0.5	1685.62	1697.04	1686.82	2270.66	4.56	6.62	18.23	0.20	798.15
23 Chemicals(23)	2123.89	-0.2	2127.24	2152.45	2150.21	2422.47	4.46	5.42	20.81	1.05	949.42
24 Diversified Industrials(17)	1773.28	-0.7	1785.71	1798.79	1792.42	2119.65	5.26	6.69	17.19	12.90	924.84
25 Electronic & Elect Equip(36)	1889.33	-0.7	1902.71	1911.05	1907.18	2130.26	4.02	6.84	17.33	2.68	934.92
26 Engineering(72)	1721.47	-0.3	1727.34	1729.96	1726.87	1967.59	3.51	5.75	20.43	2.87	993.95
27 Engineering, Vehicles(13)	2018.64	-0.4	2025.77	2037.24	2058.40	2392.87	4.95	1.72	80.00†	0.16	968.24
28 Paper, Pckg & Printing(27)	2771.89	-0.4	2783.90	2788.97	2770.84	3018.90	3.25	5.85	19.74	0.17	1097.44
29 Textiles & Apparel(21)	1448.70	-0.1	1449.96	1458.77	1458.34	1958.42	4.68	6.76	19.21	1.88	830.49
30 CONSUMER GOODS(96)	2824.56	....	2825.60	2828.99	2799.35	2931.28	4.38	6.76	17.31	17.82	987.72
31 Breweries(18)	2136.65	-0.2	2141.26	2152.10	2147.76	2293.03	4.48	8.61	13.98	10.56	978.24
32 Spirits, Wines & Ciders(10)	2552.22	+0.1	2548.78	2581.78	2546.17	3164.15	4.47	7.71	15.33	26.30	871.44
33 Food Producers(24)	2344.80	-0.2	2349.74	2346.45	2338.69	2437.27	4.26	7.50	15.82	14.57	1003.89
34 Household Goods(10)	2487.74	+0.3	2480.23	2486.17	2479.88	2889.72	3.56	6.72	17.91	0.45	901.40
36 Health Care(18)	1613.87	+1.9	1584.11	1579.57	1576.90	1848.53	3.10	3.44	40.29	1.01	943.09
37 Pharmaceuticals(13)	3501.46	+0.3	3490.84	3487.26	3434.26	3114.38	4.07	4.65	24.04	25.70	1131.43
38 Tobacco(2)	3483.62	-1.8	3548.10	3568.45	3473.89	4035.15	6.17	10.46	10.44	0.00	794.64
40 SERVICES(231)	1828.81	-0.4	1836.71	1836.34	1819.94	2113.57	3.45	7.19	16.76	7.03	909.83
41 Distributors(32)	2239.84	-0.5	2251.30	2262.97	2248.86	3123.24	4.17	8.08	14.65	1.63	783.16
42 Leisure & Hotels(29)	2076.07	-0.4	2085.04	2071.51	2060.80	2312.29	3.46	5.94	20.08	21.59	1040.16
43 Media(43)	2718.41	-0.8	2741.51	2726.64	2688.43	3262.53	2.69	5.83	20.01	5.94	948.59
44 Retailers, Food(16)	1767.90	-0.3	1773.18	1774.75	1752.19	1629.54	3.72	9.07	13.52	2.69	1068.48
45 Retailers, General(45)	1498.02	-0.3	1502.02	1506.14	1495.44	1776.63	3.58	7.77	15.96	7.63	819.37
48 Support Services(36)	1433.19	....	1433.84	1439.33	1435.95	1770.17	2.94	6.77	17.41	1.69	878.70
49 Transport(21)	2144.89	-0.5	2155.92	2155.55	2140.88	2649.05	3.97	7.09	16.67	4.30	848.85
51 Other Services & Business(7)	1165.60	-0.5	1171.95	1174.43	1177.50	1322.81	3.84	4.76	28.35	5.42	1015.63
60 UTILITIES(37)	2326.81	-0.9	2346.96	2356.65	2359.87	2537.35	4.67	8.73	13.29	6.85	916.77
62 Electricity(17)	2426.41	-0.8	2446.92	2447.46	2462.97	2432.77	4.21	10.46	11.40	19.89	1038.39
64 Gas Distribution(2)	1937.58	-1.2	1961.58	1976.07	2009.60	2148.48	6.18	5.60	17.45	0.00	910.06
66 Telecommunications(5)	1954.59	-0.8	1970.98	1983.73	1969.34	2238.46	4.18	6.88	17.71	0.13	848.35
68 Water(13)	1727.40	-0.6	1737.73	1740.03	1743.11	1941.88	5.80	13.86	7.86	4.62	890.82
69 NON-FINANCIALS(685)	1613.14	-0.4	1619.41	1625.57	1617.32	1791.59	4.15	6.99	17.00	6.27	1156.62
70 FINANCIALS(118)	2132.35	-0.9	2150.83	2140.81	2102.63	2499.41	4.77	9.84	11.86	15.22	857.45
71 Banks, Retail(9)	2788.75	-1.1	2820.02	2819.47	2751.64	3245.48	4.68	11.18	10.33	32.89	849.71
72 Banks, Merchant(8)	2951.83	-3.5	3059.81	3061.81	3057.91	3277.57	3.84	9.31	12.65	13.78	900.59
73 Insurance(26)	1190.87	-0.3	1194.70	1198.91	1170.12	1432.03	5.78	8.83	13.10	2.71	825.32
74 Life Assurance(6)	2448.40	+0.4	2439.23	2329.68	2306.34	2619.56	5.22	7.61	16.03	0.00	947.56
77 Other Financial(23)	1825.06	-1.3	1849.43	1841.66	1836.96	2061.96	4.16	8.19	14.09	2.11	987.07
79 Property(46)	1383.90	....	1383.83	1378.45	1372.04	1802.08	4.35	7.71	16.25	1.60	803.92
80 INVESTMENT TRUSTS(133)	2584.46	-1.3	2596.95	2600.60	2589.45	2997.75	2.45	2.10	47.72	8.77	869.38
89 FT-SE-A ALL-SHARE(916)	1492.75	-0.5	1500.15	1503.71	1493.09	1675.49	4.18	7.26	16.27	6.55	1191.19
FT-SE-A Fledgling	964.04	-0.6	969.60	971.20	971.53	-	3.42	-	-	3.52	967.48
FT-SE-A Fledgling ex Inv Trusts	964.54	-0.4	968.87	970.87	971.64	-	3.66	-	-	3.73	968.19

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2998.2	3006.7	3005.2	3009.4	3016.6	3020.9	3021.2	3023.1	3024.2	3029.0	2998.2
FT-SE Mid 250	3380.5	3367.2	3371.2	3374.4	3377.3	3379.0	3379.8	3380.1	3384.2	3385.0	3360.5
FT-SE-A 350	1496.9	1500.9	1500.7	1502.7	1505.7	1507.6	1507.8	1508.5	1509.4	1511.2	1496.9

Time of FT-SE 100 Day's high: 3.26pm Day's low: 8.50am. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94) .

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	860.3	860.1	861.7	863.6	864.2	864.5	864.5	864.3	864.7	864.2	873.5	-9.3
Pharmaceuticls	3412.2	3428.4	3423.2	3432.6	3445.8	3453.5	3458.3	3465.0	3467.3	3471.6	3460.7	+10.9
Water	1696.6	1709.4	1710.6	1714.7	1714.7	1714.7	1716.0	1714.6	1720.6	1720.5	1731.2	-10.7
Banks, Retail	2798.1	2799.4	2800.6	2802.6	2811.6	2813.2	2812.8	2814.7	2821.7	2824.3	2856.0	-31.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground-rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.02.95: Pool purchase price £/MWh	Final Prices for Trading on 27.01.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.12	8.20	8.20
0100	8.17	8.86	8.86
0130	8.77	8.73	8.73
0200	8.77	8.73	8.73
0230	8.19	8.70	8.70
0300	8.18	8.71	8.71
0330	8.16	8.71	8.71
0400	8.14	8.66	8.66
0430	8.12	8.20	8.20
0500	8.10	8.12	8.12
0530	8.19	8.73	8.73
0600	8.16	8.73	8.73
0630	8.12	8.80	8.80
0700	8.82	9.17	9.17
0730	8.04	8.99	8.64
0800	8.06	12.48	13.72
0830	8.12	14.76	16.57
0900	10.49	17.14	19.54
0930	11.09	19.56	22.01
1000	15.86	19.72	22.22
1030	15.92	19.01	21.36
1100	11.61	17.27	19.72
1130	11.61	18.86	21.89
1200	11.63	21.39	24.79
1230	11.58	23.59	27.01
1300	11.51	21.31	24.24
1330	10.87	15.86	17.77
1400	10.35	13.69	15.33
1430	8.09	12.94	14.38
1500	8.09	14.22	15.49
1530	8.92	12.84	14.07
1600	8.14	20.31	23.92
1630	8.47	55.23	67.85
1700	14.81	155.78	189.38
1730	17.56	250.78	295.04
1800	27.86	263.34	305.92
1830	30.59	182.00	213.54
1900	29.72	83.22	98.41
1930	24.42	35.26	41.73
2000	13.96	16.93	19.00
2030	8.09	10.22	10.89
2100	8.05	8.36	8.82
2130	8.82	8.11	9.11
2200	8.79	8.84	8.84
2230	8.12	8.80	8.80
2300	8.11	8.20	8.20
2330	8.11	8.10	8.10
2400	8.11	8.10	8.10

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.89/MWh becomes 1.889p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0113 245 6789 between 8.30am and 5.15pm Monday to Friday.
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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 27 / Sch)

BELGIUM/LUXEMBOURG (Feb 27 / Frs.)

CZECH REP (Feb 27 / Koruna)

DENMARK (Feb 27 / Kr)

FINLAND (Feb 27 / Mks)

FRANCE (Feb 27 / Frs.)

GERMANY (Feb 27 / Dm.)

GREECE (Feb 27 / Drachma)

ITALY (Feb 27 / Lire)

NETHERLANDS (Feb 27 / Fls.)

NORWAY (Feb 27 / Kroner)

POLAND (Feb 24 / Zloty)

PORTUGAL (Feb 27 / Escudo)

SPAIN (Feb 27 / Pts.)

SWEDEN (Feb 27 / Kronor)

SWITZERLAND (Feb 27 / Frs.)

TURKEY (Feb 27 / TL Lira)

PACIFIC

JAPAN (Feb 27 / Yen)

HONG KONG (Feb 27 / H.K.$)

INDONESIA (Feb 27 / Rupiah)

MALAYSIA (Feb 27 / MYR)

NEW ZEALAND (Feb 27 / NZ $)

SINGAPORE (Feb 27 / S$)

AUSTRALIA (Feb 27 / Aust$)

SOUTH KOREA (Feb 27 / Won)

TAIWAN (Feb 27 / TW $)

THAILAND (Feb 27 / Baht)

AFRICA

SOUTH AFRICA (Feb 27 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 27 / Can $) 4 pm close

MONTREAL (Feb 27 / Can $) 4 pm close

INDICES

	Feb 27	Feb 24	Feb 23	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	12615.83	12630.18	25470.49	16/2/94	12185.81	16/2/95
Australia							
All Ordinaries(1/1/80)	1893.2	1911.1	1893.5	2340.60	3/2/94	1823.30	8/2/95
All Mining(1/1/80)	841.3	850.1	840.3	1136.10	3/2/94	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	370.20	371.73	370.75	480.66	2/2/94	361.34	3/2/95
Traded Index(2/1/91)	1001.58	1009.10	1006.50	1222.25	1/2/94	968.30	3/2/95
Belgium							
BEL20 (1/1/91)	1328.61	1337.53	1336.41	1642.85	9/2/94	1328.61	27/2/95
Brazil							
Bovespa (29/12/83)	(c)	32709.0	32174.0	59118.00	13/9/94	3880.90	3/1/94
Canada							
Metals Mins◆(1975)	(u)	3363.62	3367.26	4326.67	18/1/95	3299.06	20/4/94
Composite◆ (1975)	(u)	4120.10	4143.10	4899.60	23/3/94	3858.99	24/6/94
PortfolioS$ (4/1/83)	(u)	2038.24	2053.81	2182.89	1/2/94	1868.48	28/6/94
Chile							
IPGA Gen (31/12/80)	(c)	5374.5	5287.5	5764.40	21/11/94	3801.28	4/4/94
Denmark							
CopenhagenSE(3/1/83)	350.49	352.74	352.07	415.79	2/2/94	335.88	20/12/94
Finland							
HEX General(28/12/90)	1744.6	1753.9	1737.1	1972.80	4/2/94	1601.18	3/1/94
France							
SBF 250 (31/12/90)	1198.14	1199.51	1208.51	1585.20	2/2/94	1178.82	23/1/95
CAC 40(31/12/87)	1802.17	1805.74	1827.01	2355.93	2/2/94	1772.84	23/1/95
Germany							
FAZ Aktien(31/12/58)	783.09	787.37	786.90	859.27	18/5/94	742.84	5/10/94
Commerzbank(1/12/53)	2230.4	2241.8	2240.3	2465.60	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2099.25	2118.64	2118.24	2271.11	16/5/94	1960.59	7/10/94
Greece							
Athens SE(31/12/80)	817.11	828.82	819.41	1194.58	18/1/94	789.32	8/2/95
Hong Kong							
Hang Seng(31/7/64)	8126.65	8218.95	7976.41	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	(c)	3453.73	3371.25	4628.57	12/9/94	3233.31	22/2/95
Indonesia							
Jakarta Comp.(10/8/82)	452.57	454.69	454.40	612.69	5/1/94	432.98	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1888.91	1894.59	1886.39	2062.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	616.39	627.51	635.32	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	974.0	992.0	1004.0	1318.00	10/5/94	974.00	27/2/95
Japan							
Nikkei 225 (16/5/49)	16808.70	17472.94	17830.02	21552.81	13/6/94	16808.70	27/2/95
Nikkei 300 (1/10/82)	242.85	251.93	254.47	311.71	13/6/94	242.85	27/2/95
Topix (4/1/68)	1320.96	1370.96	1395.00	1712.73	13/6/94	1320.96	27/2/95
2nd Section (4/1/68)	1730.05	1784.70	1805.47	2542.85	6/7/94	1730.06	27/2/95
Malaysia							
KLSE Comp.(4/4/86)	953.79	970.45	949.46	1314.46	5/1/94	840.87	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1553.89	1611.73	2881.17	8/2/94	1553.89	24/2/95
Netherland							
CBS TtlRtnGen(End 83)	438.9	440.6	442.8	464.99	31/1/94	408.38	21/6/94
CBS All Shr (End 83)	275.3	276.4	277.8	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1990.21	2000.74	1983.73	2459.64	3/2/94	1878.99	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1096.70	1108.74	1105.85	1211.19	26/2/94	960.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2484.45	2587.91	2598.23	3368.37	4/1/94	2374.86	24/1/95
Portugal							
BTA (1977)	2749.5	2753.1	2746.3	3226.60	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	505.21	510.58	508.04	641.61	4/1/94	472.90	23/1/95
South Africa							
JSE Gold (28/9/78)	1541.5♥	1598.8	1579.8	2534.00	7/9/94	1486.20	30/1/95
JSE Indl. (28/9/78)	6326.9♥	6354.4	6310.9	6884.40	30/12/94	5449.00	19/1/94
South Korea							
KoreaCompEx(4/1/80)**	894.60	892.89	907.86	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	277.94	281.19	282.99	358.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvarldsGen (1/2/37)	1519.2	1529.2	1525.9	1808.90	31/1/94	1334.78	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1249.32	1255.06	1256.9	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	917.48	922.73	925.03	1093.29	31/1/94	878.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6388.57	6698.07	6552.95	7191.13	1/11/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1270.77	1294.19	1277.14	1753.73	4/1/94	1191.28	23/1/95
Turkey							
Istanbul Cmp.(Jan 1986)	29724.2	29720.0	29488.6	29724.20	27/2/95	12880.78	24/3/94
WORLD							
MS Capital Int (1/1/70)§	610.7*	617.0	619.6	649.90	2/11/94	591.60	1/11/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1287.77	1303.86	1311.31	1549.19	31/1/94	1286.48	5/10/94
Euro Top-100 (26/6/90)	1153.84	1164.03	1168.73	1311.81	2/2/94	1136.46	5/10/94
JCapelDrgns (31/12/88)	(u)	296.88	290.97	395.19	5/1/94	281.46	23/1/95
Barings Emerg.(7/1/92)	(u)	135.98	130.60	191.79	28/9/94	130.27	22/2/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40							
Feb	1782.0	1801.0	-2.0	1813.0	1777.0	40,773	24,563
Mar	1889.5	1808.5	-2.0	1819.0	1784.0	23,696	30,188
DAX							
Mar	2107.0	2107.0	-18.5	2116.0	2103.0	11,227	
Jun	2128.5	2127.0	-19.0	2135.0	2123.5	118	
OMX							
Feb	-	-	-	-	-	-	-
Mar	1160.00	1160.00	-15.75	1164.00	1157.50	5,846	20,085
SOFFEX							
Mar	2606.0	2618.0	-11.5	2619.0	2603.0	2,449	13,834
Apr	2618.0	2626.0	-20.0	2626.0	2618.0	51	622

** Sat Feb 25: Taiwan Weighted Price 6591.36; Korea Comp Ex 912.60. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 27 - 2106.06 -11.54.

US INDICES

Dow Jones	Feb 24	Feb 23	Feb 22	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	4011.74	4003.33	3973.05	4011.74 (24/2/95)	3593.35 (4/4/94)	4011.74 (24/2/95)	41.22 (2/7/32)
Home Bonds	97.29	97.22	96.84	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1594.89	1596.85	1577.52	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	194.77	194.04	195.89	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4033.61 (4034.62) Low 3974.05 (3979.45) (Theoretical◆)
Day's high 4013.09 (4020.49) Low 3990.88 (3971.71) (Actual◆)

Standard and Poors	Feb 24	Feb 23	Feb 22	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	488.11	486.91	485.07	488.11 (24/2/95)	438.92 (4/4/94)	488.11 (24/2/95)	4.40 (1/6/32)
Industrials♥	576.32	575.11	573.64	576.32 (24/2/95)	510.05 (21/4/94)	576.32 (24/2/95)	3.62 (21/6/32)
Financial	46.46	46.24	45.68	48.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	264.86	264.24	263.04	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	450.62	449.35	448.58	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	791.08	791.35	787.93	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Feb 24	Feb 17	Feb 10	Year ago
Dow Jones Ind. Div. Yield	2.69	2.72	2.72	2.62
	Feb 22	Feb 15	Feb 8	Year ago
S & P Ind. Div. yield	2.36	2.36	2.38	2.36
S & P Ind. P/E ratio	19.60	19.57	19.38	29.08

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	5,822,400	28¼	-⅛
Motorola	4,769,200	55⅝	-⅜
Glaxo	4,361,700	20	-⅛
Compaq	3,964,100	34⅞	+½
RJR Nabisco	3,887,300	5⅝	—
Chrysler	3,420,300	44⅞	—
EMC Corp	3,281,500	16⅝	-⅛
Tyco Intl	3,108,700	51½	+⅞
Archer Dan	2,885,800	18⅝	+⅛
Micron	2,672,200	58⅝	-⅛

TRADING ACTIVITY

● Volume (million)

	Feb 24	Feb 23	Feb 22
New York SE	302.854	396.931	339.127
Amex	15.854	22.184	14.242
NASDAQ	301.095	333.722	276.877
NYSE			
Issues Traded	2,969	2,983	2,945
Rises	1,144	1,443	1,230
Falls	1,039	788	934
Unchanged	786	734	781
New Highs	63	100	62
New Lows	50	34	48

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Mar	488.15	487.40	-1.30	489.20	485.75	57,744	197,891
Jun	491.40	491.50	-1.00	493.00	491.10	1,867	26,368
Nikkei 225							
Mar	16980.0	16890.0	-690	17000.0	16580.0	30,821	117630
Jun	16930.0	16960.0	-790	16930.0	16650.0	11,969	59,766

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

... stock. Prices/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Monday, February 27, 1995.

	Stocks Traded	Closing Prices	Change on day
Sumitomo Const	8.4m	735	-3
Mitsubishi Hvy	6.3m	565	-39
Fudo Const	6.1m	1,050	-30
Penta Ocean	5.9m	745	-23
Toshiba Corp	5.8m	600	-6
Nippon Steel	4.9m	332	-8
Sharp Corp	3.5m	1,310	-60
Daiwa Sec	3.5m	1,030	-70
Aoki Corp	3.4m	532	-19
Matsushita El Ind	3.0m	1,330	-50

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close February 27

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14¼	13	AAR	0.48	3.6	24	64	13⅝	13½	13½	-⅛
22⅛	19¾	ALPharmaA	0.18	0.9	46	83	20⅝	20⅜	20⅜	-⅛
76⅞	70⅛	AMP	1.84	2.5	21	1315	78¼	74⅝	74⅞	-1⅛
62¼	53⅞	AMR			26	5987	u62¼	60½	60½	-1¼
48⅜	41⅞	ASA	1.71	3.9	28	837	44¼	43⅝	43⅝	-1
36	30¾	AbbotL	0.84	2.4	18	4806	35⅝	35	35⅛	-⅝
14	13	Abitibi Pr	0.50	3.8	12	87	13⅜	13¼	13¼	-¼
24⅜	22⅛	ABM Ind	0.60	2.6	13	15	22⅞	22¾	22¾	-⅛
16⅝	14½	Acpincein			11	93	15½	15¼	15⅜	-⅛
25⅞	21⅞	ACE Ltd	0.44	1.8	9	172	24⅞	24⅝	24⅝	-¼
9¾	9⅛	ACM Gvt In x	0.80	9.7	8	754	9¼	d9⅛	9⅛	[illegible]
7½	7⅛	ACM GvOpp x	0.66	9.1		155	7¼	d7⅛	7¼	[illegible]
7½	6⅝	ACM Gvt Sp x	0.75	11.3		263	6⅞	d6⅝	6⅝	-⅝
8⅝	7⅞	ACM Gvt Se x	0.90	11.4		824	8⅛	d7⅞	7⅞	[illegible]
8½	7⅞	ACM Man x	1.08	13.5		209	8	7⅞	8	+1.09
7⅝	7¼	ACM Mangd x	0.72	9.8		90	7½	7⅜	7⅜	[illegible]
16¼	10¼	AcmeClv	0.48	3.4	8	69	14⅞	14¼	14¼	-¾
21½	12⅜	Acme Elect			21	409	19¼	18⅝	19	+¾
34½	31⅛	Acordia	0.72	2.2	16	17	32⅜	32⅛	32⅛	-¼
11⅜	8⅝	Actava	0.38	3.6	3	69	10⅞	10⅛	10⅛	-¼
16¾	12⅜	Acuson			20	659	12¾	12½	12½	-⅛
16⅝	15⅝	Adams Expr x	0.36	2.2	0	258	16⅜	16⅛	16⅜	+⅛
64½	53	Ad Micro	3.00	5.2		107	59¼	58¼	58¼	-½
32¼	25	AdvMic	3.00	10.2	8	6934	30⅛	29⅜	29½	-¼
6⅜	5	Advest Grp	0.16	2.6	30	115	6¼	6⅛	6⅛	
19¾	16½	Advo Inc	0.10	0.5	15	95	18⅞	18⅝	18⅞	
68⅞	63⅜	Aegon ADR	1.47	2.1	13	13	u68⅞	68⅝	68⅝	-⅛
4⅜	3⅜	Aerflx			5	28	4⅛	4⅛	4⅛	-⅛
53¾	46¾	AetnaL	2.76	5.2	12	2313	53½	53¼	53¼	-¼
37½	31⅞	Aflac	0.46	1.2	13	819	u37⅝	37	37⅝	+⅝
18⅝	16	Ahmnsn	0.88	5.0	10	1874	18¼	17¾	17¾	-½
1⅞	15/16	Aileen Inc			0	109	⅞	¾	¾	-1/16
48¾	43⅞	AirPrC	0.98	2.0	22	1017	u49⅛	48¾	48¾	
24	20⅜	Airbne Frt	0.30	1.3	13	184	23⅞	23¾	23¾	
26¼	19⅝	Airgas Inc			28	66	25⅞	25¾	25¾	-¼
14¾	13⅜	Airlease	1.88	13.1	10	12	14½	14⅜	14⅜	-⅛
30	26½	AirTch			134	4524	27½	26⅞	26⅞	-⅞
16¾	14⅜	Alaska Air	0.20	1.3	9	267	15⅛	14⅞	15⅛	+⅛
19⅝	17⅛	Albany Int	0.35	2.0	22	353	18	17¾	17¾	-⅛

Continued on next page

NYSE COMPOSITE PRICES

4 pm close February 27

Continued from previous page

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AMEX COMPOSITE PRICES

4 pm close February 27

[illegible]

NASDAQ NATIONAL MARKET

4 pm close February 27

[illegible]

FINANCIAL TIMES Tuesday February 28 1995

AMERICA

Dow volatile as bonds ride quality flight

Wall Street

US share prices were volatile around Friday's closing levels yesterday morning as traders reacted to the collapse of Barings and prepared themselves for a spate of economic news to be released later this week, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was off 2.07 at 4,009.67. The Standard & Poor's 500 slipped 1.46 to 486.80 and the American Stock Exchange composite lost 1.11 at 449.51. The Nasdaq composite declined 1.75 to 789.33. Trading volume on the NYSE was 149m shares.

The market drew some support from a rising bond market, which benefited from a flight to quality as Asian equity markets suffered the effects of the Barings collapse. The dollar, however, suffered as investors sought shelter in the D-Mark.

Volume was light compared with recent days as investors hung back in anticipation of economic news due to be released later this week and next week. On Wednesday, the commerce department is to put out revised figures on fourth quarter gross domestic product, and many were waiting to see whether the economy could be brought to a soft landing.

Salomon lost $⅝ at $36⅛ after the securities house announced that it had found additional losses caused by a yen swap. The loss had been overlooked when the group announced its fourth quarter 1994 results.

American Depository Receipts of Mexican companies fell after the government said that it planned to do away with revised wage and price control agreements made in the wake of the crisis in that country's financial markets. The benchmark Telmex hit a 52-week low, shedding $1¾ at $26⅝. Grupo Tribasa lost $1⅛ at $5⅛, Grupo Televisa was off $1½ at $15 and Vitro was $8½ lower at $8⅛.

Boston Scientific rose $1⅛ at $21⅝ after an analyst at Bear Stearns upgraded the company to buy from neutral.

Schwitzer rose $1 at $10⅞ after the engine manufacturer announced that it would merge with Kuhlman. Kuhlman was off $⅝ at $12⅞ on the news.

Canada

Toronto was lower in quiet midday trade as investors awaited Canada's federal budget later in the day. The TSE-300 composite index was 6.10 down at 4,114.01 by noon in volume of 24.3m shares.

Of Toronto's 14 sub-indices, 11 sectors were lower, led by declines in gold, conglomerates and pipelines.

Among improving groups, financial services rose 9.45 to 3,182.72 as Toronto-Dominion Bank picked up C$¼ to C$21 and Royal Bank of Canada improved C$¼ to C$28½.

Latin America

Brazil's financial markets, closed for Carnival, reopen on Thursday.

MEXICO fell back as uncertainties emerged regarding the government's economic programme, in the continued absence of an announcement, expected at the weekend. The IPC index was 3.5 per cent weaker at 1,500.03 in low turnover.

BUENOS AIRES, waiting for details of an austerity budget, was off nearly 4 per cent by mid-morning. The Merval index had fallen 13.46 to 331.29. The market was expecting spending cuts of up to $1bn.

Johannesburg mostly lower

Equities in Johannesburg were easier in reaction to a lower gold bullion price and the Barings situation.

Dealers said fears of immediate selling of South African holdings had not materialised, although the removal of one of the bigger emerging markets operators from the market had made an impact.

The overall index declined 33.3 to 5,141.7, industrials dipped 27.5 to 6,326.9 and golds fell 57.3 to 1,541.5.

Engen shed R1.25 to R27.75 on the announcement of a petrol price increase.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	+1.72	+1.20	-16.82	-5.31	-1.44	-0.38
Belgium	-0.74	+0.02	-10.07	-1.94	+1.70	+2.80
Denmark	-0.56	+0.76	-15.47	-0.80	+2.26	+3.36
Finland	-2.10	-3.95	+4.09	-3.97	-1.11	-0.05
France	-0.84	+0.32	-17.78	-3.17	-1.25	-0.18
Germany	-0.22	+3.87	-2.34	-0.48	+3.48	+4.58
Ireland	-0.42	+2.08	+2.70	+2.24	+3.24	+4.35
Italy	-5.47	-5.70	-2.58	-1.00	-3.45	-2.42
Netherlands	-0.75	-0.78	-2.69	-0.86	+2.99	+4.09
Norway	-1.91	-2.74	-8.96	-4.89	-2.17	-1.13
Spain	-1.19	-0.35	-16.14	-1.40	-0.99	+0.07
Sweden	-0.15	+0.62	+0.83	+3.85	+4.74	+5.87
Switzerland	+0.97	+3.05	-9.92	-0.44	+2.84	+3.94
UK	-0.31	+0.46	-8.10	-1.12	-1.12	-0.06
EUROPE	-0.64	+0.59	-8.28	-1.10	+0.40	+1.47
Australia	+2.87	+2.45	-10.35	+0.41	-5.58	-4.56
Hong Kong	+2.45	+14.96	-20.36	+2.36	+1.35	+2.44
Japan	-2.06	-2.51	-14.75	-12.20	-10.90	-9.94
Malaysia	-2.87	+15.23	-16.47	+0.85	-0.24	+0.83
New Zealand	+0.05	+2.59	-6.38	+5.70	+3.29	+4.41
Singapore	+0.02	+4.80	-8.84	-6.08	-6.62	-5.62
Canada	+0.87	+2.08	-0.33	-1.61	-2.10	-1.05
USA	+1.22	+3.71	+5.70	+6.42	+5.29	+6.42
Mexico	-12.12	-17.86	-34.16	-30.53	-40.66	-40.02
South Africa	+1.50	+0.59	+7.69	-12.99	-9.47	-8.50
WORLD INDEX	-0.23	+1.18	-5.88	-2.21	-1.96	-0.91

† Based on February 24, 1995.

EUROPE

Banks fall in backwash of the Barings debacle

Leading banks fell in the backwash as Barings sank, *writes Our Markets Staff.* However, some individual characteristics were involved: SBC, in Switzerland, and Société Générale, in France, were noted for their high profile derivatives operations, said Mr Bryan Crossley at ABN-Amro Hoare Govett; and Deutsche Bank, leading a weak sector down in Frankfurt, has suffered from a string of problems recently.

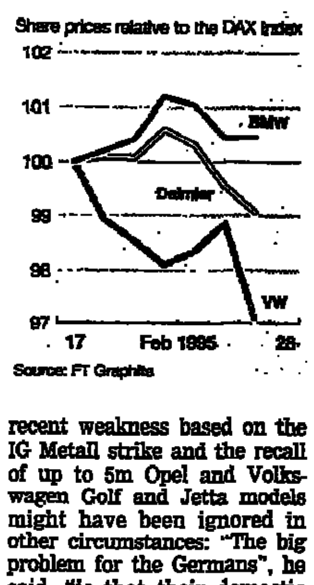
FRANKFURT pulled in its horns, turnover dropping from DM5.5bn to DM3.2bn as the Dax index ended down 19.39 at 2,099.25.

In general, share prices improved over the course of the day, the key index pulling up from an Ibis-indicated low of 2,090.53 in the early morning, and recovering after hours to close at 2,106.05.

Deutsche Bank still fell DM10.80 to DM716. But the banking sector was almost matched for weakness by automotive shares which, in spite of some recovery after hours, saw Daimler DM8.70 lower at DM714.30, Volkswagen down DM4.50 at DM400 and Continental, the tyremaker, off DM5.50 at DM222.50.

Mr Christopher Will, automotive industry analyst at Lehman Brothers, said the recent weakness based on the IG Metall strike and the recall of up to 5m Opel and Volkswagen Golf and Jetta models might have been ignored in other circumstances: "The big problem for the Germans", he said, "is that their domestic market has not really recovered at all although, everywhere else in Europe, we are a year into recovery."

German car makers



Source: FT Graphite

PARIS turned higher in late trading to scrape above the 1,800 level at the close, having seen the CAC 40 index as low as 1,776.62 during the session. The market finished with a marginal loss of 3.57 at 1,802.17 in turnover of FFr2bn.

Financial stocks were upset by the Barings collapse, with Société Générale among the biggest fallers, down FFr10 or 2 per cent at FFr499, but off an intraday low of FFr495.10. There were worries about the bank's own exposure to derivatives contracts since it was believed to hold the largest position among the French financial institutions. However, one banking analyst in London commented that as long as this episode was an isolated case any knock-on effect could be avoided.

Elsewhere in financials, Paribas shed FFr1.30 to FFr303.80, BNP FFr5 to FFr234 and UAP FFr1.50 to FFr119.80.

ZURICH was lower in response to the weaker dollar and mild pressure on financials. The SMI index finished 15.8 down at 2,607.5.

UBS bearers ended SFr10 off at SFr1,037, demonstrating further disappointment with last week's figures and as the war of words with Mr Martin Ebner dragged on. Bearer shares in SBC, more heavily engaged in derivatives trading than the other two big Swiss banks, lost SFr8 at SFr363.

CS Holding, unveiling annual figures on Thursday, was SFr6 down at SFr513.

On the opposite tack, Alusuisse appreciated SFr17 to SFr650 as the company unveiled 1994 results in line with expectations and forecast net profits to rise by about 50 per cent in 1995.

AMSTERDAM recovered from the session's lows to end with a loss in the AEX index of 1.19 at 409.41, having fallen to 406.12 at one point.

Akzo Nobel encountered profit-taking after the release of 1994 results which came in line with expectations, ending the session with a decline of 50 cents at Fl 191.30.

Fokker, off 30 cents or 2.8 per cent at Fl 10.60, announced substantial job cuts in its fourth round of restructuring, aimed at returning the aircraft manufacturer to profitability by 1996. The company, in which Daimler, of Germany, holds a 51 per cent stake, also declared that it was closing a production facility and relocating its headquarters. The market expects Fokker to report 1994 losses of some Fl 450m when it publishes its annual results next month.

MILAN continued to weaken as the acrimonious political situation and uncertain passage through parliament of the government's deficit cutting measures put further pressure on the lira and bonds.

The Comit index lost 11.12 or 1.8 per cent to 616.39 while the real-time Mibtel index picked up from a day's low of 9,800 to finish 112 weaker at 9,896.

A steadier trend among recently hard hit industrials helped the market off its lows. Olivetti rose L20 to L1,798 and Montedison was just L1 easier at L1,198.

The telecommunications sector, hurt by rising interest rates, remained weak. Telecom Italia lost L102 to L3,953 and Stet was L141 down at L4,588.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Feb 27 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1285.34	1288.75	1286.59	1284.04	1283.03	1283.41	1284.19	1287.77
FT-SE Eurotrack 200	1352.59	1358.18	1354.71	1355.47	1355.71	1358.28	1358.14	1359.77

	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20
FT-SE Eurotrack 100	1303.68	1311.31	1305.02	1309.97	1314.92
FT-SE Eurotrack 200	1370.13	1375.28	1365.08	1367.32	1367.73

Base 1000 (26/10/90); High/day: 100 - 1287.80; 200 - 1360.07 Low/day: 100 - 1282.59 200 - 1352.55 † Partial

MADRID saw three of its banks, BBV, BCH and Argentaria, lose more than 2 per cent as the general index fell 3.25, or 1.2 per cent to 277.94, with sentiment also affected by the weakness of the peseta.

ISTANBUL achieved its fourth consecutive closing high, but still failed to breach the 30,000 level. The composite index closed up 4.19 at 29,724.28. Brokers said that activity was selective with late buying in Eregli, the steel group, up TL100 at TL4,800, lifting the market. Turnover fell to TL5,200bn from Friday's TL6,500bn.

WARSAW fell 4 per cent after a 7.5 per cent rise on Friday which followed the suspension of the 0.2 per cent share sales transaction tax until June. The Wig index lost 299.4 to 6,604 as turnover fell to 26.4m zlotys.

TEL AVIV dropped sharply, upset by an announcement from the central bank that it did not intend to reduce interest rates immediately. The Mishtanim index lost 3.4 per cent to 146.83. The market rose 2 per cent on Sunday in anticipation of a rate cut.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei at 14-month low as Manila drops 4 per cent

Tokyo

Share prices plunged on the Barings crisis, taking the Nikkei 225 average below 17,000 for the first time since December 1993, *writes Emiko Terazono in Tokyo.*

The index ended 664.24 down at 16,808.70. It opened at the day's high of 17,465.33, and hit a low of 16,518.46 in the afternoon before recovering some ground towards the close.

The Topix index of all first section stocks dropped 50 points or 3.6 per cent to 1,320.96 and the Nikkei 300 shed 9.08 to 242.85. Losers overwhelmed gainers by 1,097 to 19, with 36 issues unchanged. But in London the ISE/Nikkei 50 index was 1.60 firmer at 1,071.61.

Arbitrageurs rushed to liquidate cash market positions as futures prices plummeted. The Osaka Securities Exchange tried to slow down futures trading by releasing the nominal price for the Nikkei 225 futures every 10 minutes instead of every three.

Futures traders said they had been aware of the massive positions accumulated by Barings for the past month, but that they had thought the positions were hedged or that they were for clients.

Strong futures prices and arbitrageurs' cash market buying had been the main factors holding up share prices during the previous few weeks. With the settlement date for March futures on March 10, traders expect a further wave of futures and arbitrage selling over the next few days.

Domestic brokers worried over the methods by which Barings' own positions will be liquidated, and the losses on the positions settled. Both the Tokyo Stock Exchange and the OSE froze positions held by Barings until an official decision is made. "It could mean that other brokerages will have to bear the burden," said a Japanese brokerage official.

The majority of investors, including domestic institutions and overseas fund managers, stayed on the sidelines. Volume amounted to 300m shares, against a previous 267m.

Financials declined heavily. Industrial Bank of Japan fell Y110 to Y2,350, Mitsubishi Bank Y100 to Y2,110, Nomura Securities Y80 to Y1,630 and Nikko Securities Y33 to Y870.

Construction issues were traded strongly, with Sumitomo Construction, the most active issue of the day, off Y3 at Y735 and Fudo Construction dipping Y30 to Y1,050.

The high-technology sector had Hitachi down Y16 to Y820 and Sony off Y240 at Y4,030. Large-capital shares retreated, Nippon Steel losing Y8 at Y332.

Nippon Telegraph and Telephone fell Y15,000 to Y694,000 and Japan Tobacco Y35,000 to a new low of Y775,000.

In Osaka, the OSE average tumbled 834.83 to 18,420.28 in volume of 31.5m shares.

Roundup

The Barings collapse left the region nervous, and the uncertainty was reflected in falling volume in many centres.

TAIPEI took one of the biggest falls on the day in the region, the weighted index finishing 202.79 weaker at 6,388.57 but after a day's low of 6,284.75. Turnover was T$66bn.

Sentiment was also affected by the central bank's decision to lift the rediscount rate by 0.3 percentage point to 5.8 per cent at the weekend. The textile and paper sectors, strong in recent sessions, bore the brunt of the falls, with the sub-indices both losing 4.3 per cent. Hualon dropped 6.15 per cent to T$36.60 and Taiwan Pulp and Paper by the daily permissible 7 per cent limit to T$42.

SEOUL was nervous as the Ministry of Finance and Economy said the local branch of Baring Securities was believed to have invested more than Won400bn in the market.

The composite stock index lost 18.00 at 894.60 after touching 882.22, with the mood soured further by unconnected trading halts in two small companies, amid worries about a credit crunch.

Against the trend, Hyundai Motor went limit up, gaining Won1,300 at Won37,300 in response to news that it was the only domestic car manufacturer to post profits last year.

THE DAY'S CHANGES

	% Change
Manila	-4.0
Tokyo	-3.8
Taiwan	-3.0
Shenzhen	-2.1
Seoul	-2.0
Bangkok	-1.8
Kuala Lumpur	-1.7
Shanghai	-1.5
Hong Kong	-1.1
Singapore	-1.0
Sydney	-1.0

HONG KONG finished easier, although light bargain hunting had brought stocks well off their lows. The Hang Seng index was finally 92.30 down at 8,126.65, having recovered from a 210-point loss seen shortly after the opening.

Property shares were in demand in anticipation that the local property market would recover after Hang Seng Bank's relaxation of mortgage limits on luxury flats. Henderson Land rose 60 cents to HK$41.90 and Citic Pacific 10 cents to HK$19.05.

HSBC receded HK$2 to HK$79.75 and Hang Seng Bank slipped 50 cents to HK$45.90 ahead of results to be released after the market closed.

SINGAPORE picked up from an early 4.4 per cent fall as the mood calmed in later trading, and the Straits Times Industrial index ended a net 20.42 off at 2,094.10.

Malaysian shares traded over the counter suffered a worse day, with the UOB OTC index down 30.16 at 1,078.92.

MANILA fell through the 2,500 support level in a market already unsettled by a weak local currency and high interest rates. The composite index shed 103.46 to 2,484.45, in turnover of 1.2bn pesos.

KUALA LUMPUR was broadly lower in sympathy with regional bourses and ahead of a Moslem festival which will close the market from tomorrow until Sunday. The composite index declined 16.66 to 953.79.

SYDNEY retreated in light turnover estimated at A$314m. The All Ordinaries index closed 17.9 down at 1,893.2, off a session's low of 1,886.8. The futures contract lost 24 at 1,911 after reaching 1,898.

The banking sector picked up from early losses, NAB finishing 6 cents off at A$10.60.

BANGKOK recovered some ground in the afternoon as investors bought bank stocks in bargain hunting. The SET index shed 23.42 at 1,270.77, up from a day's low of 1,249.56. Turnover came to Bt6bn.

Dhana Siam, which has a business co-operation agreement with Baring Securities but no direct shareholding arrangement, fell heavily, by Bt15 to Bt142 in turnover of Bt528m.

SHANGHAI's B shares took little comfort from a Sino-US agreement on protecting intellectual property rights. The index relinquished 0.86 at 55.82 in volume of 9.6m shares. The A index edged up 0.6 per cent to 577.66.

SHENZHEN's B index also reacted with a sharp fall, surrendering 1.55 at 72.59, while the A index was 0.3 per cent firmer at 129.95.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 24 1995								THURSDAY FEBRUARY 23 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	163.81	1.0	153.58	100.72	125.61	147.77	0.9	3.96	162.20	151.10	99.29	124.19	146.39	180.82	157.95	180.06
Austria (16)	182.05	0.2	170.69	111.93	139.59	139.38	0.2	1.16	181.75	169.30	111.25	139.15	139.03	198.89	167.46	186.43
Belgium (35)	173.15	0.0	162.34	106.46	132.77	129.64	0.0	4.26	173.23	161.36	106.03	132.63	129.60	177.04	161.53	164.10
Brazil (28)	128.91	2.0	120.87	79.26	98.85	201.82	2.8	1.60	126.43	117.77	77.39	96.80	196.65	–	–	–
Canada (103)	128.03	-0.5	120.04	78.72	98.17	129.31	-0.4	2.70	128.61	119.80	78.72	98.47	129.87	141.01	120.54	133.17
Denmark (33)	260.28	0.2	244.03	160.03	199.58	206.76	0.5	1.49	259.80	242.01	159.03	198.91	205.71	275.27	236.81	265.95
Finland (24)	185.87	1.4	174.27	114.28	142.52	177.62	1.8	0.95	183.34	170.78	112.22	140.37	174.47	201.41	133.88	145.54
France (101)	163.25	-1.6	153.06	100.37	125.18	132.57	-0.9	3.26	165.86	154.50	101.52	126.99	133.79	181.44	157.79	174.82
Germany (58)	149.88	-0.3	140.53	92.16	114.92	114.92	-0.2	1.82	150.38	140.08	92.05	115.14	115.14	150.40	128.94	130.80
Hong Kong (56)	334.09	3.1	313.24	205.42	256.18	331.60	3.1	3.86	324.04	301.85	198.35	248.11	321.64	419.45	277.40	419.45
Ireland (16)	215.21	0.0	201.78	132.33	165.03	192.38	0.5	3.38	215.27	200.53	131.77	164.82	191.49	216.60	177.56	188.91
Italy (58)	73.47	-1.7	68.89	45.18	56.34	90.31	-0.1	1.72	74.74	69.62	45.75	57.22	90.41	97.78	67.25	73.47
Japan (484)	141.34	-1.5	132.52	86.90	108.38	86.90	-1.1	0.88	143.49	133.66	87.83	109.86	87.83	170.10	139.45	159.06
Malaysia (97)	483.36	2.1	453.20	297.20	370.64	475.45	2.1	1.76	473.33	440.91	289.73	362.41	465.56	594.76	398.16	540.28
Mexico (18)	849.35	-4.5	796.33	522.23	651.26	5297.85	-3.1	2.06	889.48	828.55	544.45	681.01	5470.35	2414.12	849.35	2267.86
Netherland (19)	225.76	-0.7	211.67	138.81	173.11	170.29	-0.6	3.49	227.30	211.73	139.13	174.03	171.33	227.30	181.28	197.25
New Zealand (14)	73.56	0.9	68.97	45.23	56.41	61.77	0.9	4.77	72.92	67.93	44.64	55.84	61.18	77.20	62.05	71.97
Norway (23)	210.77	-0.2	197.62	129.59	161.61	186.14	0.1	2.05	211.14	196.67	129.24	161.65	185.89	216.03	177.53	201.10
Singapore (44)	352.08	1.6	330.11	216.48	269.98	235.39	1.5	1.82	346.36	322.64	212.01	265.20	231.90	401.38	294.68	353.27
South Africa (58)	308.08	0.3	288.85	189.43	236.23	260.93	0.9	2.59	307.23	286.18	188.05	235.22	258.66	342.00	205.56	234.99
Spain (38)	132.05	-1.2	123.81	81.19	101.25	129.75	-0.6	4.38	133.67	124.52	81.82	102.34	130.55	150.21	124.87	145.56
Sweden (48)	244.68	-0.1	229.41	150.45	187.62	264.15	0.2	1.69	245.02	228.24	149.98	187.60	263.60	247.40	196.70	220.79
Switzerland (47)	171.70	-0.3	160.98	105.57	131.65	133.43	-0.3	1.83	172.28	160.48	105.45	131.90	133.78	172.28	149.91	165.02
Thailand (46)	148.35	1.5	139.09	91.21	113.75	143.85	1.5	2.95	146.17	136.16	89.48	111.92	141.49	–	–	–
United Kingdom (204)	194.72	-1.0	182.57	119.73	149.31	182.57	-0.3	4.31	196.69	183.22	120.40	150.60	183.22	205.58	181.11	198.25
USA (513)	199.82	0.2	187.35	122.86	153.22	199.82	0.2	2.83	199.36	185.70	122.03	152.63	199.36	199.82	178.95	189.04
Americas (682)	183.01	0.2	171.59	112.52	140.33	153.44	0.2	2.80	182.67	170.16	111.82	139.86	153.13	–	–	–
Europe (720)	171.45	-0.8	160.75	105.42	131.47	148.96	-0.3	3.17	172.87	161.03	105.82	132.36	149.48	178.01	160.59	167.96
Nordic (128)	233.30	0.1	218.74	143.44	178.89	212.79	0.5	1.57	232.94	216.99	142.59	178.35	211.73	235.72	197.70	212.17
Pacific Basin (809)	150.15	-0.9	140.78	92.32	115.13	96.74	-0.6	1.26	151.58	141.20	92.78	116.06	97.30	176.86	145.83	163.97
Euro-Pacific (1529)	158.93	-0.9	149.01	97.72	121.86	116.84	-0.5	2.12	160.36	149.37	98.15	122.77	117.38	175.14	154.79	165.48
North America (616)	195.38	0.2	183.19	120.13	149.81	195.05	0.2	2.82	194.97	181.62	119.34	149.28	194.64	195.38	175.67	186.57
Europe Ex. UK (516)	154.93	-0.7	145.26	95.26	118.80	129.00	-0.3	2.53	156.05	145.36	95.52	119.48	129.41	158.12	144.12	148.31
Pacific Ex. Japan (325)	235.69	2.0	220.99	144.92	180.73	209.14	2.0	3.25	231.06	215.24	141.43	176.91	205.08	273.13	211.19	269.32
World Ex. US (1737)	159.32	-0.9	149.37	97.96	122.16	119.81	-0.4	2.14	160.69	149.69	98.36	123.03	120.34	178.65	155.42	166.64
World Ex. UK (2046)	169.26	-0.4	158.69	104.07	129.78	139.62	-0.2	2.19	169.93	158.29	104.01	130.10	139.86	178.59	163.46	170.65
World Ex. Japan (1766)	189.12	-0.1	177.32	116.28	145.01	178.44	0.1	2.97	189.23	176.27	115.83	144.89	178.18	192.00	176.34	185.60
The World Index (2250)	171.50	-0.5	160.79	105.45	131.50	143.48	-0.2	2.39	172.28	160.48	105.45	131.91	143.75	180.80	165.92	173.08

Latest prices were unavailable for this edition.